The rising yen
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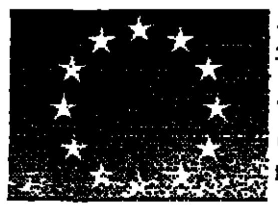

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FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY FEBRUARY 16 1994 — D8523A

US critical of Europe's failure to create growth

President Bill Clinton's administration is increasingly critical in private of western Europe's failure to stimulate growth to create jobs, according to confidential documents in the possession of the Financial Times. US economic policymakers believe European governments are wrong to concentrate on structural supply side reforms in the labour market to cut their dole queues. They also want to see a European commitment to economic expansion. Page 16; Pains of growth, Page 14

Russian warning to troops: Russian troops under United Nations command in former Yugoslavia have been told not to obey orders given to them by their UN superiors until cleared by Moscow, according to officials in President Boris Yeltsin's administration. Page 16

Citicorp freed from strict watch: Citicorp said federal banking authorities have agreed to end their strict regulatory supervision of the US banking group. The decision is likely to pave the way for Citicorp to reinstate its dividend, suspended since late 1991. Page 17

N Korea to allow nuclear checks: North Korea agreed to allow inspectors from the International Atomic Energy Agency to check its seven acknowledged nuclear plants. Page 6

Burmese junta refuses to free Suu Kyi

Burma's military junta brushed off appeals for the release of opposition leader Aung San Suu Kyi and threatened to keep her under house arrest until 1995. The statement came a day after Ms Suu Kyi (left) was visited at her Rangoon home by a US congressman and UN official, the first visit by non-family members since she was held nearly five years ago. Ms Suu Kyi, who won the Nobel Peace Prize in 1991, has refused to leave the country in exchange for her release. Page 6

S Africa recession ends: South Africa's economy grew 1.1 per cent in real terms in 1993 compared with a 2.1 per cent decline in 1992, marking the end of a four-year recession. Latest GDP figures showed showed 6.2 per cent growth in the December quarter.

US output grows 0.5%: US industrial production rose 0.5 per cent last month, roughly in line with analysts' projections, but distortions caused by very cold weather and the Los Angeles earthquake made the figures hard to interpret. Page 4

UK to study ballistic missile defence: Britain has launched a two-year study into a ballistic missile defence system. Defence secretary Malcolm Rifkind said ballistic missiles might emerge as a "significant threat to deployed forces". Page 10

Congress debates on balanced budget: The US Congress began the battle over a constitutional amendment requiring the US government to balance its budget each year. The amendment, which could force $600bn of spending cuts over the next five years, has built up a strong coalition of supporters. Page 4

British Airways reported a threefold increase in *third-quarter profits* on the back of a recovery in first and business class traffic, and a continuing cost-cutting drive. Pre-tax profits for the three months to December 31 rose to £65m ($96m) from £20m. Page 17

UK proposal on share settlements: The Bank of England proposed that it should own and control the new Crest system for UK share settlement for its first few years. Shares in the system would then be offered to market participants. Page 16

Aid workers freed: Two Italian aid workers were freed unharmed by kidnappers in central Somalia after 52 hours as captives. It was the fourth such abduction this year.

Holocaust memorial: The Vatican is to hold a concert in April in memory of the six million Jews killed in the Holocaust. It move marks a further warming in relations between the Holy See and Israel.

'Rostov Ripper' executed: Serial killer Andrei Chikatilo, the "Rostov Ripper" who raped and butchered more than 50 victims, was executed after losing an appeal for clemency, Russian news agencies said.

■ STOCK MARKET INDICES

FT-SE 100:	3,393.2	(+29.7)
Yield	3.46	
FT-SE Eurotrack 100	1,483.24	(+5.67)
FT-SE-A All-Share	1,708.51	(+12.55)
Nikkei	18,974.60	(-484.65)
New York: lunchtime		
Dow Jones Ind Ave	3,922.87	(+18.01)
S&P Composite	472.62	(+2.39)

■ US LUNCHTIME RATES

Federal Funds:	3⅛
3-mo Treas Bills: Yld	3.322%
Long Bond	97½
Yield	6.446%

■ LONDON MONEY

3-mo Interbank	5⅛	(same)
Liffe long gilt future:	Mar 115⅞	(Mar115⅝)

■ NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$13.255	($13.475)

■ Gold

New York Comex (Apr)	$385.5	($385.6)
London	$384.5	($382.75)

■ STERLING

New York lunchtime:		
$	1.4795	
London:		
$	1.4757	(1.4693)
DM	2.5463	(2.5622)
FFr	8.6732	(8.7075)
SFr	2.1397	(2.1598)
Y	152.14	(152.954)
£ Index	80.4	(80.7)

■ DOLLAR

New York lunchtime:		
DM	1.7215	
FFr	5.8640	
SFr	1.446	
Y	103.075	
London:		
DM	1.7255	(1.7438)
FFr	5.8775	(5.9263)
SFr	1.45	(1.4699)
Y	103.1	(104.1)
$ Index	66.3	(66.7)

Tokyo close Y 102.02

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£60.00
France	FFr9.00	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L13000
						UAE	Dh12.00

Kantor moves towards sanctions over failure to open cell phone market

US steps up pressure on Japan

By Nancy Dunne and Jurek Martin in Washington

The US yesterday set in motion trade sanctions against Japan by announcing its conclusion that Japan had violated agreements to open up its domestic cellular phone market.

Mr Mickey Kantor, the US trade representative, did not impose instant retaliation, but said he would publish a list of proposed trade measures, for public comment within 30 days, which would not necessarily be limited to curbs on Japanese cellular phone products sold in the US.

"This is a clear-cut and serious case of a failure by Japan to live up to three agreements," he said, agreements which were negotiated in 1985-87, 1989 and finally, by letter, in 1992. He said new barriers had been raised after each fresh commitment.

Brandishing a cellular phone manufactured in the US by Motorola, he said it was "false and disingenuous" of the Japanese to accuse the company of not trying hard enough. Motorola, he added, was a "front-runner" in its field, yet had achieved only a 4 per cent share of the Japanese domestic market, not the 33 to 50 per cent promised.

The grace period of up to 30 days gives the US and Japanese governments time to frame another agreement. Should that fail, other US actions now seem more likely. President Bill Clinton may in any case announce later this week his intention to revive the Super 301 trade law which, by setting up deadlines for sanctions against "unfair traders", would allow a wide attack on Japan's perceived trade barriers.

■ Hosokawa anxious as yen shoots up — Page 6
■ Use the system, win shelf space — Page 11
■ A sorry spectacle — Page 15

The Motorola complaint is long standing and the timing of the US finding is technically coincidental with the failure of last week's summit to agree on specific ways of opening the Japanese market. But US officials had warned it could well be the first indication of the extent of the US displeasure with Japan.

Administration officials say the Motorola case illustrates the problems US companies face in penetrating Japan's markets. Motorola is the world's largest manufacturer of cellular telephones and has been trying to penetrate the Japanese market since 1984, when Japan launched a deregulation of its domestic industry but kept foreign companies under tight restrictions.

Eventually it was agreed that Motorola – with a Japanese partner – would have the potential to increase its business dramatically, a promise Motorola says was never fulfilled.

● Michiyo Nakamoto adds from Tokyo: Japanese officials, speaking before the US announcement, appeared to regard the prospect of sanctions with equanimity. "We must say what we must say," a senior government official said, indicating that neither the possibility of sanctions nor the sharp appreciation of the yen – which had steadied by the London close yesterday after rising nearly 4 per cent against the dollar on Monday – were cause for Japan to go back on its refusal to accept the numerical targets sought by the US for a foreign share of its markets.

While the yen's sudden appreciation after the failure of the two countries to reach agreement was excessive, it was unlikely to change the Japanese position on numerical targets. "The currency situation will not affect the framework talks," a senior official emphasised.

Fears on health of Yeltsin after speech is put off

By John Lloyd in Moscow

The health and ability to govern of Russian president Boris Yeltsin have emerged again as an issue of serious concern in Moscow. He has postponed making a "state of the union" address due on Friday because of what officials yesterday described as a continuing "bad cold".

Mr Anatoly Krasikov, a press spokesmen, said the state of Mr Yeltsin's health "could be seen on TV" during a press conference with Mr John Major, visiting British prime minister, in the Kremlin yesterday. Mr Yeltsin, who made no opening speech, which he normally does, stood for about 20 minutes without support, but walked hesitantly and looked tired.

It was the president's first public appearance for two weeks, and the first time he had answered journalists' questions since before Christmas.

The postponement of what has been billed as a crucial speech that will define the Russian government's policy guidelines is the latest in a list of incidents which are causing concern to foreign diplomats in Moscow and to Russian observers. The public perception was demonstrated by the publication yesterday of an article in the daily Sevodmnya by Mr Sergei Parkhomenko, one of Moscow's sharpest pens, headlined "Mr Absent heads the Russian state".

Among recent examples of Mr Yeltsin's non-availability were:

● A telephone call from President Bill Clinton to Mr Yeltsin was delayed for three days for what were called "technical reasons" – going through last Friday. The Russian authorities insisted Mr Yeltsin had waited for the call "as long as decency allowed", but that it had not come through.

● Mr James Collins, a US special ambassador to the former Soviet states, attempted to talk to Mr Yeltsin and other senior Russian officials on the Bosnian question last week – but, according to Mr Parkhomenko – was confined to low-ranking diplomats.

● Dr Gert Haller, state secretary at the German finance ministry and the country's "sherpa" who prepares the ground for meetings of the Group of Seven leading industrial nations, was also refused a meeting with Mr Yeltsin recently, after having been told several times that he would see the Russian president.

● Diplomats from several important countries say attempts to pass high-level messages to Mr

Continued on Page 16
Russian troops in former Yugoslavia, Page 16

UK prime minister John Major (right) is greeted by Boris Yeltsin on his arrival for talks on Russian economic reforms and Bosnia *Associated Press*

Paramount falls to Viacom after five-month struggle

$10bn deal completes first stage of ambitious three-way media merger

By Richard Waters in New York

Viacom, the cable television group, emerged victorious in the $10bn struggle for control of Paramount Communications, owner of the US's last big independent film and television production company, yesterday.

The victory came as Viacom announced that 74.6 per cent of Paramount's shareholders had accepted its cash-and-securities offer in preference to a bid from QVC Network, a home shopping group.

Viacom extended its offer to March 1 to allow all Paramount shareholders to accept the bid, while QVC conceded defeat.

The deal marks the culmination of a five-month battle by Mr Sumner Redstone, the 70-year-old chairman of Viacom, to combine Paramount's television and production operations with his own group's cable television network.

Although initially favouring an agreed merger with Viacom, Paramount chairman Mr Martin Davis was forced by the Delaware courts to put his company up for auction to the highest bidder.

As a result, Mr Davis, who had earlier negotiated a role as number two to Mr Redstone, faces an uncertain future. Viacom said yesterday it had yet to discuss his role in the enlarged company.

Viacom faces a further battle in coming months to persuade shareholders in Blockbuster, the video rental company, to approve the terms of a merger that would also bring it into the Viacom/Paramount group.

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■ Lex — Page 16
■ After all the fighting, was it worth it? — Page 20
■ World stock markets — Page 38

If completed, the three-way merger would create a broad-ranging entertainment group with annual revenues of $26bn and businesses stretching from cable television and movie production to book publishing and video rentals.

Mr Redstone said the three companies would "create a global media powerhouse of unparalleled proportions in the entertainment industry."

The scale of its businesses would put it on a par with Time Warner, the entertainment giant created by one of the 1980's biggest takeovers.

The acquisition of Blockbuster, which has strong earnings and little debt, is also seen as an important element in creating a sound financial footing for Viacom/Paramount.

Although it has won the support of Blockbuster's board, Viacom faces opposition from the company's shareholders, whose shares have fallen sharply in value since the deal was announced.

Mr Frank Biondi, chief executive of Viacom and of the enlarged company formed by the Paramount takeover, conceded that Blockbuster shareholders had "mixed reactions" to the planned merger.

He said Viacom would attempt make strenuous efforts to persuade them of the benefits of the deal before they vote on the transaction, probably in the second quarter of the year.

EU steel suppliers face fines of $110m

By David Gardner in Brussels

Competition authorities at the European Commission looked set last night to seek a record fine on 17 EU steelmakers they have found guilty of operating a cartel to supply the construction industry.

The opening bid of the powerful Brussels competition directorate at a meeting of senior officials last night was expected to be for a fine in the area of Ecu100m ($110m), say Commission officials.

The biggest penalties Brussels has imposed until now were of Ecu75m in 1991 on Tetra Pak, the Swedish-based packaging group, for restrictive practices and predatory pricing, and of Ecu60m in 1986 on 14 chemical companies for running a cartel in polypropylene, a basic plastics product.

But the officials warned that the Commission could whittle down the figure at its full meeting today, depending on the outcome of a dinner at which Mr Karel Van Miert, competition commissioner, and Mr Martin Bangemann, industry commissioner, were due meet leading European steelmakers.

The companies facing sanctions after the three-year enquiry include: British Steel; Arbed of Luxembourg; a division of Usinor-Sacilor in France; Cockeril-Sambre of Belgium; and Fried Krupp-Hoesch, NMH Stahlwerke, Saarstahl and Thyssen of Germany. The Commission has found that they infringed EU antitrust rules by sharing out markets and fixing prices for heavy steel sections and beams for the building industry.

"This is a terribly serious infringement," one official said. He pointed out that when steelmakers were hauled up by the Commission in 1990 for operating a stainless steel cartel, they escaped with a token fine. But they were warned then that the EU crisis regime for steel, which licensed certain market collaboration between manufacturers until 1988, was at an end.

Under EU competition rules, the Commission can levy fines up to 10 per cent of annual turnover in the sector being distorted, although 2 per cent of sales has been the normal ceiling.

CONTENTS

Italians split over 'tainted' candidates

By Robert Graham in Rome

Italy's scandal-tainted ruling parties are divided over whether to allow politicians under investigation for corruption to stand as candidates in next month's general election.

The problem mostly concerns southern Italy where the long-ruling Christian Democrat and Socialist parties have a formidable network of patronage. While up to 80 per cent of the outgoing legislature is expected to retire, many southern politicians are refusing to stand down.

Mr Ciriaco De Mita, the former Christian Democrat prime minister, ex-party secretary and unquestioned boss of the region south of Naples round Avellino and Irpinia, is insisting on standing in his native Irpinia for the Popular Party (PPI), the renamed Christian Democrats.

This has deeply embarrassed some members of the PPI and threatens a rift with the PPI's principal electoral ally – the Pact for Italy of Mr Mario Segni, leader of the referendum movement.

Others in the PPI argue that southern politics have not been subjected to the same renewal as in the north and that the verdict on candidates should be left with the voters. They maintain that individuals who have not yet been sent for trial should be allowed to be candidates. Behind this lies the cynical calculation that in the south the old bosses have the best chance of winning seats under the new first-past-the-post system.

Mr De Mita has been involved in investigations ranging from alleged illicit party financing and corruption to extortion. The most serious relate to L12,000bn ($7.1bn) government disaster relief for the 1980 Irpinia earthquake. He is alleged to have threatened owners of three companies with losing their disaster relief if they refused to take on employees recommended by him.

But last week 77 per cent of the PPI members in Irpinia voted for Mr De Mita to represent the constituency.

Another case has involved Mr Nicola Mancino, the Christian Democrat interior minister from Avellino. He has been questioned about receiving illicit funds from the intelligence services, a charge he has denied.

He is considered an asset by Mr Mino Martinazzoli, the PPI leader, and has been asked to stand again. But Mr Segni opposes scandal-tainted candidates in principle.

Bosnian Serbs hope to benefit from Nato-UN confusion

Guns wait on the war of words

By Robert Mauthner, Diplomatic Editor

If the Bosnian Serbs are not rushing to comply with Nato's ultimatum giving them 10 days to withdraw their heavy weapons 20km from the centre of Sarajevo or place them under UN control, failing which they will face air strikes, that is hardly surprising.

The confusion created by the contradictory statements of Nato and United Nations spokesmen about who, in the last resort, is responsible for ordering these air strikes has given the Bosnian Serbs a heaven-sent opportunity to stall and pin their hopes on yet another international fudge.

General Sir Michael Rose, commander of UN troops in Bosnia, has said, somewhat imprudently, that the responsibility for launching air strikes is his – as if such a crucial decision could ever be taken by a military man alone without the express consent of his political masters.

By contrast, large Nato countries such as the US and France have indicated clearly that, if the Bosnian Serbs fail to comply with the terms of the ultimatum by the deadline next Monday, then air strikes will definitely go ahead. It seems almost as if the various parties have paid scant notice over the past few days to the texts on which the UN's and Nato's policy is based.

From these texts it is clear that the Nato decision "to prepare urgently" for air strikes was taken on February 10 at the express request of Mr Boutros Boutros Ghali, the UN secretary-general.

Bodyguards cluster round General Jean Cot (centre), overall commander of Unprofor, as he leaves after a meeting with government leaders in Sarajevo yesterday *Reuter*

In a letter to Mr Manfred Wörner, the Nato secretary-general, Mr Boutros Ghali referred specifically to Security Council Resolution 836, under which ". . . . member states, acting nationally or through regional organisations or arrangements, may take *under the authority of the Security Council and subject to close co-ordination with the Secretary-General and Unprofor [the UN protection force in former Yugoslavia]*, all necessary measures, through the use of air power, in and around the safe areas in Bosnia-Hercegovina, to support Unprofor in the performance of its mandate. . . ."

Mr Boutros Ghali goes on: "I should be grateful if you could take action to obtain, at the earliest possible date, a decision by the North Atlantic Council to authorise the commander-in-chief of Nato's southern command to launch air strikes, *at the request of the United Nations*, against artillery or mortar positions in or around Sarajevo. . . ."

The arrangements for the co-ordination of such air strikes would be worked out through direct contacts between Unprofor headquarters and Nato's southern command. It appears very much as if the UN secretary-general was making a distinction between a decision by Nato to authorise air strikes and a joint UN/Nato decision to implement them.

No mention of a deadline in Mr Boutros Ghali's letter, as there is in the subsequent Nato ultimatum. Moreover, the communique issued after the North Atlantic Council meeting also specifically mentions that the launching of Nato air strikes will take place *at UN request*.

Formally therefore, the decision to launch the bombing of Bosnian Serb positions, lies with the UN. However, the dispute about who has the ultimate authority to launch the air strikes would be of less import if the UN and Nato were pulling in the same direction on the ground. But there are increasing signs that this is not the case.

Only two days ago, the Unprofor spokesman in Sarajevo, Lieutenant-Colonel Bill Aikman was quoted as saying: "The 10-day ultimatum is a Nato ultimatum. It is not our ultimatum."

Taking advantage of the uncertainties in the western camp, The Bosnian Serbs maintain that what matters is not where the guns are located or under whose control they are, but whether they are being fired or not – in other words that the ceasefire negotiated last week by the warring parties under the aegis of the UN is respected.

The UN and Nato still have a few days to sort out their disagreements and to persuade the Bosnian Serbs that they must comply with their demands, or face dire consequences. But it is difficult to see how Nato, after all its posturing, can make compromises and go back on its threats without losing all credibility.

Russia and UK to 'de-target' missiles

By Philip Stephens, Political Editor

Russia and Britain yesterday signed an agreement to "de-target" nuclear missiles directed at their respective countries as part of a series of measures to strengthen bilateral relations,

With Mr John Major, the UK prime minister, claiming that ties between London and Moscow were now better than he could ever recall, he also agreed with President Boris Yeltsin that the Russian leader would visit London later this year.

After talks at the Kremlin, the two leaders signed a double taxation agreement designed to promote British investment in Russia and a framework accord to provide for joint military exercises next year.

Those agreements will be followed up today by the announcement of increased British technical aid for Russia's economic modernisation programme when Mr Major visits Nizhny Novgorod, the province at the forefront of the shift to a market economy.

British officials voiced optimism that the enhanced co-operation resulting from the visit could lead to the early signature of a number of large contracts by UK companies. Among likely beneficiaries were Rolls-Royce, GPT and GEC-Marconi.

Mr Major said that President Yeltsin had underlined his determination during their talks to press ahead with the modernisation programme despite sweeping gains for its opponents on the right and left in last year's parliamentary elections.

That view had been echoed in his separate talks with Mr Victor Chernomyrdin, Russian prime minister.

The agreements on nuclear weapons' targeting and military exercises were characterised by British officials as important confidence-building measures designed to build on last month's east-west Partnership for Peace programme.

EU chides Norway on whaling

By Karen Fossli in Oslo

Norway has yet to "grasp an outstretched hand" extended by the European Commission which could bring a compromise over the country's highly controversial whaling policy, a major sticking point in European Union accession negotiations, a Commission official said in Oslo yesterday.

Mr Laurens Brinkhorst, director of DG11, in charge of the Commission's environmental affairs, suggested a way around the issue – should Norway join the EU – would be to allow its whalers to continue culling of the minke whale for a two-year period, after which the policy would be reviewed.

However, neither member states nor Norway seem prepared to accept the Commission's suggestion.

Norway last May announced that it would allow killing of minke whales in defiance of an eight-year ban by the International Whaling Commission.

"The Commission is trying to stretch out a hand to Norway but it is not being grasped," Mr Brinkhorst said.

Romanian banker sacked

By Virginia Marsh in Bucharest

Mr Dan Pascariu, Romania's leading commercial banker, was last night sacked as president of the state-owned Romanian Bank for Foreign Trade, after losing a long-running battle with conservatives within the ruling left-wing Party of Social Democracy in Romania.

Mr Pascariu had attempted to resist government pressure to finance imports for insolvent state companies and to grant low-interest credits to the central bank and finance ministry. He becomes the latest reformer to be forced out of a senior position. "This is very serious," said a senior London-based banker. "Dan is honest, professional and highly respected in international banking circles."

Under Mr Pascariu the RBST joined the ranks of the world's top 400 banks and consolidated its position as one of Romania's most profitable companies. It has declared a provisional pre-tax profit of $46m for 1993. Mr Pascariu has been replaced by Mr Razvan Temesan, previously first vice-president.

Air strikes add to the farmers' worries

By Kerin Hope

In the cafe at Kumzin, a village close to Serbia's border with Bosnia, the threat of Nato air strikes is not just a talking point on a day too frosty for ploughing.

Kumzin lies a few kilometres from a ramshackle bridge over the Sava river, used as a main supply route for the Bosnian Serb army. Buses, petrol tankers and trucks loaded with food cross the bridge before arriving at a checkpoint manned by police from the self-styled Serb republic in Bosnia.

"It's obvious the bridge would be a target for Nato planes if they start attacking the Bosnian Serbs. And what happens if they miss?" said Drasko Christic, an agricultural science student.

So far, the farming communities along the Sava have had little to do with the war in Bosnia. Many villagers of military age manage to avoid conscription, although some were called up to fight against Croatia when the Yugoslav federation began to break up in 1991.

However, if the conflict escalates as a result of Nato involvement, "I don't think I and my friends have any choice about going to fight with the Bosnian Serbs," Mr Christic said. Though Kumzin is less than 100km from Belgrade, newspapers no longer arrive there. With private radio and television stations unable to relay much beyond the capital, the 5,000 villagers rely on state-controlled television, which carries limited coverage of the situation in Bosnia.

"I doubt we'd get much warning if the American planes decided to head this way," said an elderly villager working his way through a large flask of plum brandy.

With an unannounced power cut underlining the resigned tone, the cafe's gloomy consensus was that Nato intervention was likely to prolong rather than end the war in Bosnia.

Yet several older farmers claimed they were more concerned about UN sanctions against the rump Yugoslavia than the possibility of air strikes. "I've got a thousand worries, and there's nothing I can do about bombs falling down the road from here next week," said Mr Petar Campric, the cafe owner. "It's the future that matters. What's my son going to do when he finishes school, for instance, if Serbia is still isolated?"

Twenty months of sanctions have affected output in Kumzin, which grows wheat, maize and sugar beet. There is little fuel available for tractors and fertiliser is in short supply.

Farmers cut their livestock holdings because of the high cost of feed, keeping only a few pigs for their own use and to supply meat to family members living in the capital.

Mr Campric rented his seven hectares of land to another farmer because "it's too difficult trying to run a cafe and a farm when you have to chase up petrol on the black market and organise selling the crop to a private middleman because the state prices are so low."

The villagers said they had stopped using the bank branch in Kumzin and returned to hoarding hard currency at home. It is needed to deal with the black market suppliers.

Many Kumzin farmers registered their frustration at last December's elections by switching support from the Socialist party of President Slobodan Milosevic to Depos, the coalition of democratic parties headed by Mr Vuk Draskovic. Mr Branko Todoskovic, a Depos supporter, said: "Things were looking good in 1990 when I got back some land confiscated from my family under communism. Now I don't know when I'll be able to afford a new tractor to handle the extra work."

Streibl: faces expulsion after talking to the Republicans

Bavaria's CSU in unity bid for poll

By Quentin Peel in Bonn

Bavaria's conservative Christian Social Union (CSU), the ruling party in Germany's most independent-minded state since the foundation of the federal republic, was yesterday struggling to paper over serious divisions in the run-up to a bitter election campaign.

The former state premier, Mr Max Streibl, who was forced to resign last year for accepting free holidays from a business friend, was facing bitter criticism and possible expulsion for holding talks with Mr Franz Schönhuber, leader of the extreme right-wing Republicans.

At the same time, Mr Peter Gauweiler, the popular and populist Bavarian environment minister and CSU party leader in the city of Munich, is facing pressure for his resignation because of a simmering scandal over legal fees he has continued to earn while in office.

Mr Gauweiler, the most outspoken critic of European integration in the CSU, which is the sister party of Chancellor Helmut Kohl's Christian Democratic Union in the Bonn coalition, held top-level talks yesterday with Mr Theo Waigel, the Bonn finance minister and party leader, and Mr Edmund Stoiber, the Bavarian premier and the real CSU strongman in Munich.

He emerged tight-lipped, refusing to comment on the talks until today. But hitherto he has been strongly resisting pressure from Mr Stoiber to resign before his affair becomes an issue in the September elections.

His plight is a severe embarrassment for the CSU, for he remains very popular with the party rank and file, and a clear vote-catcher in the contest with the Republicans for conservative votes.

As an outspoken opponent of the Maastricht treaty and the process of European economic and monetary union, Mr Gauweiler was the man who coined the description "Esperanto money" for the future single European currency.

Mr Stoiber has now himself adopted a highly sceptical attitude towards European integration in his pre-election platform.

Mr Streibl's contact with Mr Schönhuber is somewhat easier for the party leadership to deal with, because he is already largely discredited in the party and the electorate.

The meeting was instantly condemned by Mr Waigel as a private initiative, and is seen in Bavaria as a reflection of personal bitterness on the part of the former premier.

Mr Stoiber, as the man leading the CSU ticket in the state elections, is a passionate opponent of Mr Schönhuber and the Republicans, and has repeated his refusal to have anything to do with the party.

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To Berlin or not to Berlin

That is the German question, writes **Judy Dempsey**, who catalogues the angstful debate about moving from Bonn

The debate about when, how, at what cost, should, might, will, the government seated in Bonn on the river Rhine move to Berlin on the river Spree, is reminiscent of a play Czech President Vaclav Havel wrote when he was free of the burdens of state duty but not free to have his plays performed.

Vanek, a dissident, asks Stanek, a bureaucrat, to sign a petition seeking the release of a dissident composer. If Stanek signs he risks exclusion from the "official" world, blessed with its perks for those who conform. He dithers, makes up all sorts of excuses, prevaricates.

The tortuous debate taking place in Bonn about the move to Berlin would appeal to Havel the playwright. After deciding in June 1991, by a free vote, to move to Berlin by 1996, the government – pressed by officials who have got used to the easy, uncomplicated, provincial life of "A Small Town in Germany" – postponed the move.

A debate was called. Then another. And another. Each put the back the date. At last, to avoid looking utterly ridiculous, before Christmas the government decided to move "not later than the year 2000". But then Mr Theo Waigel, no keen supporter of the *Umzug* – move, or, in another translation, pageant – said it would cost too much.

Last week, after another round of soul-searching, a date, of sorts, and a move, of a kind, was agreed. But the Rhinelanders are still dissatisfied.

The latest compromise means that eight ministries will remain in Bonn, the remainder moving to Berlin. But for the price of moving, the *Beamte*, or civil servants on permanent contracts, are demanding more office space than their current abode. For example, the foreign ministry wants an extra 5,000 sq m on their present 50,284 sq m. In practice, these officials want 34 sq m each in Berlin instead of 26 sq m.

On top of that, the lobbyists, if they cannot stay in Bonn, are insisting on the highest office standards. Recent estimates suggest that it would cost between DM14,000 (£5,450) and DM17,000 a sq m – even though the Treuhand privatisation agency, future home to the economics ministry, managed to revamp Hermann Göring's gargantuan Luftfahrt, or Air/War Ministry for DM100m.

As the costs soar – the latest estimate is DM20bn – Mr Waigel and the bureaucracy want to hold back. "If they put out the renovations to private tender, they could easily halve the costs," said Mr Mark Palmer, former US ambassador to Hungary, who is building a business centre on the site of Checkpoint Charlie. "If these bureaucrats want to understand what unification is all about, they should see how the other half – the easterners – live and just come."

But the Umzug debate is about much more than cost. It is about coming to terms with a united Germany.

Officials in Bonn repeatedly claim that if the government moves to Berlin, it will become more eastern, far from the borders of the Netherlands and France. "We just feel that we will be cut off from Europe," one foreign ministry civil servant said. "In Berlin, we will be removed from the western influences. We will be in the centre of Europe," he added.

"Sometimes I think the Umzug debate is about Germany not wanting to come to terms with dealing with unification in the psychological and social sense," said an aide to President Richard Von Weizsäcker. "It's as if west Germans want to retain the *status quo ante*, that is, before the fall of the Berlin Wall, as if unification never happened, or at least that it will not impinge on their lives. The move to Berlin would help end the division of the two Germanys," he said. The president is already ensconced in Bellevue, not far from the Brandenburg Gate.

But there is a lingering religious element as well. A Bavarian, a Rhinelander and a Berliner, all joked about the fear of "the Protestant Prussians arguing with the Catholic Rhinelanders".

"We are talking about a complex religious divide in our country," said one. "Somehow, a divided Germany also divided us on religious grounds, with the west predominately Catholic and the east Lutheran and Protestant."

For Berliners, and eastern Germans, the issue of the Umzug has assumed the status of ridicule, few believing it will ever take place. The Berliners, apart from the business community who believe Berlin's underdeveloped financial services and good office amenities would benefit from the move, are unsure and discontented since the collapse of the Wall.

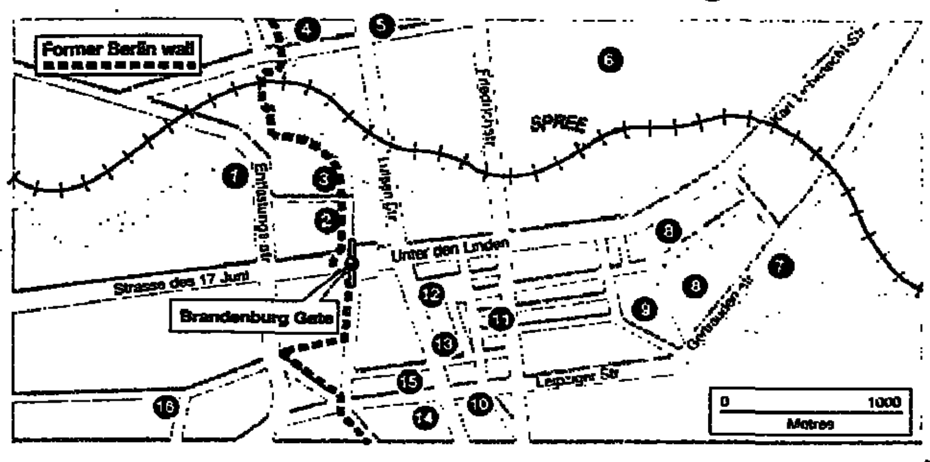
A united Berlin has ended the subsidies provided by Bonn to make the western half of the city a prosperous oasis, with its bright lights shining across to the grey east. The west Berliners are only slowly coming to terms with life without a Wall, never mind the Umzug.

But for the Saxons and other eastern states, support for the Umzug is lukewarm. "It would remind us of the old days when Berlin got bananas and gas heating, and we made do with preservatives and brown coal heating," quipped a Saxon.

Indeed, the officials in Bonn might yet strike an alliance with the eastern states to oppose the Umzug. That would represent a bizarre twist to the Umzug debate, almost signalling a meeting of minds rare in the new Germany. But this is unlikely.

Instead, the Umzug debate will eventually be resolved with all sides trying not to lose face – like President Havel's Stanek. He did not sign. He was let off the hook: the dissident was released.

Back to Berlin: where the ministries are to go



Audi earmarks DM800m to equip plant for new small car

By Christopher Parkes in Frankfurt

Audi, Volkswagen's executive car division, is to spend around DM800m (£312m) on equipping its main plant at Ingolstadt to make a new small car.

The production facilities, due to open in mid-1996, are expected to turn out 100,000 vehicles a year.

The Bavarian site was awarded the production contract after a group-wide competition in which the Seat works in Martorell, the Skoda factory in the Czech Republic – both offering far lower labour costs than in Germany – and VW's plant in Brussels were also short-listed, the company said yesterday.

Ingolstadt's advantages included lower start-up investment costs and greater flexibility, Audi added. The local workforce had also accepted changes in working practices and reduced benefit payments which alone would save DM150m a year.

"We have proved Audi can make top-quality cars at competitive costs," claimed Mr Herbert Demel, who was named board spokesman last Friday after the sacking of Audi chairman, Mr Franz-Josef Kortüm. Mr Demel said he expected the company to break even this year following losses in 1993 estimated at more than DM200m.

The new car, the Audi-A, based on the VW Golf chassis, is an integral part of a plan laid by VW group chairman Ferdinand Piëch, who was head of Audi until the end of 1992, to widen the brand's product range.

Cheaper than the current bottom-of-the-range Audi 80, it is intended to attract younger buyers to the marque, which at present sells mainly to the over-40s.

● Mercedes-Benz, the motor vehicle arm of the Daimler-Benz group, increased car sales by 53 per cent in January compared with 7 per cent growth for the market as a whole, the company's chief executive said, writes David Waller in Frankfurt.

NEWS IN BRIEF

Fiat talks on job cuts restart

After more than three weeks of sustained industrial unrest, talks resumed yesterday between the Fiat management and unions on lay-offs and job cuts in the Turin-based group's Italian automotive plants, writes Robert Graham in Rome. Resumption of talks followed a series of behind-the-scenes initiatives by Mr Gini Giugni, labour minister, and reflect little softening of Fiat's tough line. Mr Giugni is understood to be offering large-scale early retirement, plus government funding for the development of an electric car, as a compromise to Fiat's decision to cut 5 per cent of its workforce and lay off up to a further 10 per cent for two years.

Finland tops waste list

Finland tops the list of European countries generating the most municipal waste, producing 620 kg per year per head of the population, according to the European Union statistics office, writes David Marsh. In the EU, the Netherlands, Denmark and Luxembourg are the most wasteful, producing 500 kg, 480 kg and 450 kg per year. Greece and Portugal throw away the least. In the US, the annual figure is 720 kg per head.

Spain seeks cut in public deficit

Spain will implement a three-year plan to bring down its soaring public deficit, the economy ministry said, Reuter reports from Madrid. The plan, covering 1995-97, would concentrate on spending cuts, but tax measures could not be ruled out. It would not take account of any income from privatisations.

Croatia to sell off companies

Croatia is to sell some of its leading companies in a debt-for-equity swap scheme enabling citizens to draw on foreign currency savings blocked since the break-up of former Yugoslavia, officials said, Reuter reports from Zagreb. Some 40 companies would be involved, with value of about DM800m.

Belarus strike fails

A general strike call in the former Soviet republic of Belarus failed yesterday when only a few thousand people, many of them off-duty workers and some pensioners, demanded the conservative government's resignation and protested against a proposed monetary union with Russia, writes Leyla Boulton in Minsk.

Russia rescinds spirit tax rise

The Russian government, responding to protests from vodka producers, said it would rescind a rise in excise duties, Reuter reports from Moscow. News agencies said Prime Minister Victor Chernomyrdin signed an order rolling back the excise duty from 90 per cent to the pre-New Year level of 85 per cent. The government was imposing a rise in import duties on foreign vodka from 100 per cent to 300 per cent.

Netherlands producer prices drop

■ The Netherlands producer price index for manufacturing sales fell an average 1.5 per cent provisionally last year compared with 1992, the Central Bureau of Statistics said. In December, the PPI fell a provisional 0.3 per cent on November, giving a 0.8 per cent fall year-on-year.

■ A fall in interest rates cut the year-on-year rise in Finnish consumer prices by 1.4 percentage points in January, Statistics Finland said. Consumer prices rose 0.2 per cent year-on-year in January, its lowest since 1959 – and fell 0.3 per cent from the previous month, SF said. Industrial production rose 10.1 per cent year-on-year in December.

■ German M3 money supply grew at an annualised rate of 8.1 per cent in December after a 7.2 per cent rise in November, the Bundesbank confirmed.

■ Unemployment in Poland rose 2.4 per cent, or by 69,527 people in January, the labour ministry said. At the end of January there were 2.96m without jobs, 16 per cent of the labour force.

■ Czech hard currency reserves rose to \$4.08bn on February 10, from \$3.8bn at the end of 1993, the Czech National Bank said. Hard currency reserves rose to \$6.4bn from \$6.29bn in the period.

■ Hungary's monthly consumer price inflation accelerated in January to 3.2 per cent from 1.3 per cent in December, but the year-on-year change slowed to 17 per cent, Central Statistical Office figures show.

■ Spain's broad M4 money supply rose 5.3 per cent in January from December, the Bank of Spain said. Its forecast range for accumulated M4 growth in 1994 is 3 per cent to 7 per cent.

■ Denmark's current account surplus for October 1993 came to Kr6.4bn, compared with Kr6.5bn a year earlier, the Danish statistical agency said. In November there was a deficit of Kr4.5bn.

Congress forces mobilise over balanced budget

By George Graham in Washington

Battle opened in Congress yesterday over a constitutional amendment requiring the US government to balance its budget each year.

If passed, the amendment could have sweeping effects on the US government and economy, forcing $600bn of spending cuts over the next five years beyond the savings already mapped out in the current budget of President Bill Clinton's administration.

Nonetheless, the amendment has built up a strong coalition of supporters ranging from liberal Democrats such as Senator Paul Simon of Illinois to conservatives such as Republican Senator Robert Dole of Kansas.

Mr Dole said yesterday he believed the sponsors of the balanced budget amendment now had 65 solid votes in the Senate, just two short of the two-thirds majority it would require. The measure could, however, face a filibuster, making it difficult to force a vote.

If the amendment is approved by the Senate later this month, it would be expected to win the support of two-thirds of the House of Representatives, and would then need to be ratified by three-quarters of the state legislatures before taking effect.

The wording of the resolution that will be debated later this month would require that total government outlays should not exceed total receipts for any fiscal year, unless a three-fifths majority of Congress voted a waiver. In the event of war, only a normal majority would be needed.

It would also require a three-fifths majority to raise the statutory ceiling on total government debt.

Heavy opposition was mounted yesterday, however, by Senator Robert Byrd of West Virginia, who as chairman of the appropriations committee controls the purse strings for every senator's favourite project.

In a carefully orchestrated hearing yesterday, Mr Byrd paraded cabinet secretary after cabinet secretary to explain the dire consequences that the amendment would have on their departments.

While Attorney General Janet Reno warned that the Federal Bureau of Investigations and the Drug Enforcement Agency would have to close field offices, Ms Donna Shalala, the Health and Human Services secretary, complained that the measure would "shred the safety net we hold for our disadvantaged" and force 1.5m older US citizens into poverty.

Mr Leon Panetta, the White House budget director, said the amendment was a gimmick favoured by "those who seek to avoid making the tough budget decisions".

It would turn recessions into depressions, he said, create a feast of litigation and prompt a host of accounting gimmicks.

"The constitution ought not to be a book-keeping manual," he thundered. Mr Simon retorted that if the balanced budget amendment was a gimmick, Congress would have passed it long ago.

"There were so many heroes at the Alamo because there was no back door. What we need is a constitutional amendment that doesn't give a back door to members of Congress so we can duck," he said.

'Tailhook' prompts navy chief to quit

By Jurek Martin in Washington

Admiral Frank Kelso, US chief of naval operations, is to retire two months early, the victim of controversy over his alleged role in the notorious 1991 "Tailhook" convention of naval airmen held in Las Vegas.

"I became the lightning rod for Tailhook," he told the press yesterday, "and the lightning keeps striking." With statements from the Pentagon's civilian command "reaffirming my honour, integrity and leadership, we can finally close this difficult chapter," he said.

The immediate chain of events leading to the departure of the senior Navy uniformed officer started last week when a military judge dismissed charges of sexual harassment and lewd conduct against three officers on the grounds that Admiral Kelso had lied about his knowledge of incidents which he had allegedly observed in person.

On Monday the admiral, clearly incensed, rebutted this ruling by releasing internal Navy documents which found no credible evidence either that he had first-hand knowledge of what went on at the convention or that he had sought to obstruct subsequent inquiries. Dozens of women, including naval officers, had complained they were molested at the convention.

Earlier yesterday, after intense consultations inside the Pentagon and with the White House, Mr William Perry, defence secretary, said in a statement: "I regard Frank Kelso as a man of the highest integrity and honour."

In similar vein, Mr John Dalton, navy secretary, who last year sought the admiral's dismissal over the affair, said that though he had "questioned the leadership which permitted the excesses of Tailhook to take place, I have never questioned the personal integrity and honour of Frank Kelso."

With these assurances, Admiral Kelso, considered a most progressive officer, took the option of early retirement. "It is time for me to go away," he said," and let the Navy have a new leader."

Storms and earthquake constrain January figures

US output grows ½%

By Michael Prowse in Washington

US industrial production rose 0.5 per cent last month, roughly in line with analysts' projections, but distortions caused by very cold weather and the Los Angeles earthquake made the figures hard to interpret.

Production was up 4.7 per cent in the year to January, following robust increases in the final quarter of last year.

The Federal Reserve said adverse weather and the earthquake constrained manufacturing output which rose 0.2 per cent, against an average monthly gain of 0.9 per cent in the fourth quarter. Steel, appliances and motor vehicles were among the industries most badly affected.

However, the arctic weather conditions sharply boosted production at utilities and mines as demand for electricity and gas surged. Output of utilities rose 3.5 per cent from December to January, following gains of 0.9 per cent in the two preceding months.

The Fed said the overall rate of industrial capacity utilisation rose to 83.1 per cent against 82.9 per cent in December, well above the long-term average of 81.9 per cent.

Consumer spending last month was also affected by adverse weather and the earthquake. Retail sales fell 0.5 per cent in January, the first fall in 10 months, but already strong figures for December were revised up.

Fujimori 'a political prisoner of the Peruvian armed forces'

Sally Bowen on growing disquiet at the role of the military

Peru's fledgling democracy suffered a setback last week when the Supreme Court capitulated before the government majority in Congress. Senior judges backed a parliamentary manoeuvre initiated by the executive to shield the military from public investigation into a high-profile human rights case.

For many observers, the incident has confirmed their long-standing suspicions that Peru's elected authorities, from President Alberto Fujimori down and including the supposedly independent judiciary, are being manipulated by the country's traditionally powerful military.

"This underlines the relationship between civilian and military power," said Ms Lourdes Flores Nano, leader of the largest opposition group in Peru's congress. "Mr Fujimori has become a puppet of the military."

Ms Flores Nano alleges that the armed forces have been, since Mr Fujimori's 1990 election, the power behind the throne. Their hidden agenda has been to install a "monitored democracy," she says. Political commentators, in a rare show of unanimity, have dubbed Mr Fujimori a "political prisoner of the armed forces" and "the jester at the military court".

Certainly, the influence of Peru's armed forces has grown since they backed the "self-coup" in April 1992 when Mr Fujimori dissolved congress and suspended the constitution. Emergency legislation has given the military special powers and a relatively free hand in rooting out subversion.

At the same time Mr Fujimori has entrusted them with tasks such as road repairs, distributing donated food and helping the population in remote villages.

Today, despite the advances in pacification in the 17 months since *Sendero Luminoso* (Shining Path) guerrilla leader Abimael Guzman was captured, more than a quarter of Peru's national territory, containing half of its population, remains classified as "emergency zones". Here the "military-political commander", usually an army general, is the supreme authority. Elected civilian representatives have little or no real role.

The military have also acquired wide powers in the administration of justice. Leading terrorists charged with "treason to the fatherland" are tried by secret military courts. They regularly receive summary life prison sentences from what critics describe as "faceless" judges and are often denied proper defence provision and the right of appeal.

Pro-government congressmen – and indeed many ordinary Peruvians – have applauded the speed and efficiency of these military courts, comparing them favourably with slow, tortuous and frequently corrupt civilian legal practice.

But the military also insist on washing their own dirty linen behind closed doors. Over the years, many notorious cases of human rights abuses – including massacres of peasants – have been tried in secret, the findings unpublished and the military miscreants have rarely been punished.

The latest controversy began one night in 1992, at the height of the Shining Path offensive against Lima, when a group of nine students and a professor were abducted by hooded gunmen from the university of La Cantuta, not far from the capital. The 10 were shot, their bodies dismembered, burned and buried, to be unearthed more than a year later.


Alberto Fujimori: seen as being manipulated by the military — Trevor Humphries

Few doubt that armed forces and intelligence service personnel carried out the killings. There are allegations, however, that assassination orders came from the highest levels – General Nicolas Hermoza Rios, commander-in-chief of the armed forces, and Mr Vladimiro Montesinos, President Fujimori's powerful chief intelligence adviser. The allegations have been supported by General Rodolfo Robles, Peru's third-ranking army officer, who fled the country last year.

A dispute over who should investigate the killings has dragged on since April last year. Initiatives by the then newly installed congress to call military witnesses were pre-empted when Gen Hermoza brought his tanks on to the streets of Lima and warned elected representatives against meddling in purely internal army matters. Then the army began its own inquiry behind closed doors.

The political manoeuvring last week, involving all three branches of government, is just a slightly more subtle move to prevent Gen Hermoza and Mr Montesinos being called to give evidence at the end of this month.

A US state department declaration regretted the move and urged the Peruvian government "to show total respect for the separation of powers and judicial autonomy enshrined in the new constitution".

Human rights are high on the US-Peruvian bilateral agenda. Although disappearances and extra-judicial killings have fallen steadily since 1992, several influential US congressmen have insisted on blocking economic assistance earmarked for Peru until progress is made on cases such as the La Cantuta incident.

Now the $105m Peru was hoping to see disbursed in the wake of a generally friendly recent visit by Mr Alexander Watson, US assistant secretary of state for Latin America, is certain to be withheld, placing further strain on a tight 1994 budget. Even more damaging, analysts warn, is the dissuasive effect on intending foreign investors of this arbitrary judicial move.

In times of strong subversive threat, Peruvians have been inclined to tolerate the existence of one law for the military and one for the rest. Those times may be drawing to a close.

"The military must never again run the country, either overtly or covertly," says Ms Flores Nano. "We cannot and will not accept a democracy under their tutelage."

Cuba to compensate Spaniards

Nearly 1,500 Spaniards will be compensated for property that was expropriated by Cuba following its 1959 revolution, the Spanish economy ministry said yesterday. Reuter reports from Madrid.

The Spanish government will pay out Pta5.3bn (£25.7m) in indemnity over the next three months to a provisional list of 1,455 beneficiaries.

Cuba will then repay Spain with a combination of cash and goods under the terms of a treaty worked out in 1990.

Some 2,450 property owners or their heirs applied for compensation for real estate, businesses, stocks, cash accounts, pensions, insurance or mortgages seized during the early 1960s.

UK group may equip jets for Argentina

By John Barham in Buenos Aires

Smiths Industries of the UK is competing for a contract to provide avionics systems for 36 Skyhawk fighter bombers that Argentina is to buy from the US. Smiths said yesterday it "has offered to supply" avionics updates for the aircraft and was discussing sale terms.

The sale of both the aircraft and the avionics was strongly opposed by the British government, which claimed they would threaten the security of the Falkland Islands.

A Smiths Industries official said yesterday: "You can be assured that this company would not proceed without keeping the appropriate authorities fully informed." He said that although Smiths had not made a formal request for UK government clearance, it maintained informal contacts with the government on the subject.

It first emerged in October that a wholly owned US subsidiary of Smiths Industries had begun talks with Argentina's air force to sell an avionics package. McDonnell Douglas and Lockheed, both of the US, also entered discussions on the deal.

The Argentine Defence Ministry is understood to have preferred the Smiths approach, hoping this would underline the "anachronistic" nature of the British arms embargo, still in place since the 1982 Falklands conflict.

On February 1, Washington said it would sell the aircraft to replace some of the 60 Argentina lost in the conflict. But it agreed to UK requests that the 1970s vintage Skyhawks would not be equipped with state of the art avionics.

LEGAL NOTICES

NOTICE OF ADJUSTMENT
NEW LINE CINEMA CORPORATION

6-½% Convertible Subordinated Debentures Due 2006

This Notice is given pursuant to the Fiscal Agency Agreement, dated as of November 14, 1991 (the "Fiscal Agency Agreement"), between New Line Cinema Corporation, a Delaware corporation ("New Line"), and Chemical Bank, a banking corporation duly organized and validly existing under the laws of the State of New York as Fiscal Agent (the "Fiscal Agent"), under which New Line has issued U.S. $30,000,000 aggregate principal amount of its 6-½% Convertible Subordinated Debentures Due 2006 (the "Securities").

On January 28, 1994 (the "Effective Date") the stockholders of New Line approved and adopted an Agreement and Plan of Merger, dated as of October 15, 1993 (the "Merger Agreement"), with Turner Broadcasting System, Inc. ("TBS"). Pursuant to the Merger Agreement,(i) a wholly owned subsidiary of TBS was merged with and into New Line (the "Merger") with New Line as the surviving corporation; and (ii) each share of Common Stock, par value $0.01 per share, of New Line ("New Line Common Stock") then outstanding was converted into the right to receive 0.96386 of a share of Class B Common Stock, par value $0.0625 per share, of TBS ("TBS Class B Common Stock"). Following the Merger, pursuant to the Fiscal Agency Agreement and the terms of the Securities, the Securities became convertible into shares of TBS Class B Common Stock. As a result of the Merger, New Line is now a wholly owned subsidiary of TBS.

Immediately prior to the Merger the Securities were convertible at the option of the holder into shares of New Line Common Stock at a price (the "Conversion Price") equal to U.S. $16.875 aggregate principal amount of Securities per each share of New Line Common Stock. Following the Merger the Securities became convertible at the option of the holder into shares of TBS Class B Common Stock at a Conversion Price equal to US$17.51 aggregate principal amount of Securities per each share of TBS Class B Common Stock.

Neither New Line nor TBS is making any recommendation as to whether holders should convert, hold or sell their Securities.

IMPORTANT INFORMATION

Procedures for Conversion of Securities. Holders of Securities that desire to convert them may do so by the conversion procedures that are set forth in the Fiscal Agency Agreement and the Securities.

Provisions for Redemption of Securities. The terms of the Securities provide for the right of holders to require New Line to purchase their Securities in the event of a "change in control" (as defined therein). The Merger did not constitute a "change in control" (as defined in the Securities) and, accordingly, no optional redemption right resulted by virtue of consummation of the Merger.

The Securities are not redeemable by New Line before November 15, 1994, unless the Closing Price (as defined in the Securities) of the New Line Common Stock on or before January 27, 1994 and/or of the TBS Class B Common Stock on and after January 28, 1994, exceeds 150% (the "Triggering Price") of the then effective Conversion Price for a total of at least 20 trading days within the 30 consecutive trading days ending on the fifth trading day prior to the date that notice is given by New Line of its election to redeem the Securities as provided in the Fiscal Agency Agreement and the Securities. Based upon the current Conversion Prices of U.S. $16.875 (prior to the Merger) and U.S. $17.51 (as adjusted pursuant to the terms of the Securities for the effect of the Merger), the Triggering Prices are U.S. $25.3125 per share of New Line Common Stock (on or before January 27, 1994) and/or U.S. $26.265 per share of TBS Class B Common Stock (on and after January 28, 1994).

NEW LINE CINEMA CORPORATION

PUBLIC NOTICES

Hosokawa anxious as yen shoots up

By William Dawkins in Tokyo

Mr Morihiro Hosokawa, Japan's prime minister, yesterday admitted "serious concern" about the yen's rapid rise against the dollar but argued that it was not a direct consequence of the failure to reach an accord with Mr Clinton.

He came under fierce criticism from the opposition Liberal Democratic Party, which criticised him for failing to co-operate with the US to control the yen's advance.

"If Japan-US relations really are mature, they should have talked about how to deal with the yen's surge," said Mr Yoshiro Mori, LDP secretary general, taking a jibe at the government's belief that Japan's relations with Washington had reached a new phase.

Mr Masayoshi Takemura, chief cabinet secretary, said US trade sanctions should only come "at the very, very last" and that Japan was doing its best to open markets.

Several cabinet ministers and senior bankers forecast that the yen would soon fall again, when the political tension dies down. "Fundamentals that shifted the tide in August are clearly still there," said Mr Toyoo Gyohten, chairman of the Bank of Tokyo and a former senior finance ministry official, referring to the last time the yen neared Y100 to the dollar. He thought US trade sanctions unlikely.

Yet the currency turmoil, even if temporary, "may dampen rising expectations of economic recovery," said Mr Tadahiro Sekimoto, president of NEC, the electronics group. Mr Shoichiro Toyoda, chairman of Toyota, warned: "Lifting the yen is surely not the solution for all problems."

Japan's cabinet yesterday approved a final draft budget worth Y73,080bn (£465bn) for the fiscal year starting April 1, Reuter reports from Tokyo.

The budget, aimed at pulling Japan out of its worst post-war recession, is expected to go to parliament for approval in early March.

The recession has caused sharp tax revenue shortfalls, prompting the government to draw up an austere budget for 1994/95 which marked only 1 per cent growth from the budget for 1993/94.

The draft budget backs up last Tuesday's Y15,250bn pump-priming package, which cuts income and other taxes by Y6,000bn.

Economic analysts warned that a high yen would depress prices, another deflationary pressure when the government was trying to stimulate demand. Domestic wholesale prices fell 0.1 per cent month on month in January, though the wholesale index as a whole – including exports – rose by 0.1 per cent, said the Bank of Japan.

The continuing weakness of the economy was underlined by another stream of gloomy statistics yesterday, including a near 18 per cent rise in the number of bankruptcies from December to January, to 1,104, a seven-year high.

Almost 60 per cent of Japanese companies have cut their workforces during the recession and 70 per cent have reduced investment in plant and equipment, according to a survey by Sanwa Research Institute.

However, a hint of recovery emerged yesterday with a 5.3 per cent rise in purchases of machinery by private sector companies between November and December, according to the government's Economic Planning Agency.

Machinery orders in the first quarter of this year are likely to rise by 8.1 per cent from the previous three months, it said.

Detained leader Aung San Suu Kyi: "The people feel cheated"

Burma junta refuses to free Suu Kyi

By Victor Mallet in Bangkok

Burma's military junta yesterday brushed off international appeals for the release of opposition leader Ms Aung San Suu Kyi and threatened to keep her under house arrest until 1995.

"She has been told that her house arrest will extend to next year," Col Kyaw Win, a senior intelligence officer in the State Law and Order Restoration Council (Slorc), told Japanese journalists in Rangoon.

His statement came a day after Ms Suu Kyi was visited at her Rangoon home by US congressman Mr William Richardson, together with a New York Times reporter and a UN official – the first visit by people other than her family since she was held nearly five years ago.

The Oxford-educated Ms Suu Kyi, who won the Nobel Peace Prize in 1991, has refused to leave the country in exchange for her release.

"Whatever they do to me, I can take it," she told the New York Times. She said the junta "had tried to pressure me to leave in ways no self-respecting government should try."

The international standing of Ms Suu Kyi, her popularity within Burma and her continued defiance are an embarrassment to the junta. Most other democracy campaigners have been killed, jailed, driven out of the country or browbeaten into submission.

Ms Suu Kyi is a beacon of hope for pro-democracy activists as they watch the junta engineer a new constitution that would allow the armed forces to continue running the country from behind the scenes.

The armed forces have held power since 1962. They crushed a popular uprising in 1988 and allowed an election two years later which – to their discomfit – was won convincingly by Ms Suu Kyi's National League for Democracy. The junta ignored the result and suppressed all forms of dissent, but is now trying to convince Japan and other countries to renew aid.

Col Kyaw Win said yesterday Ms Suu Kyi would "interfere with politics and create unrest" if she were set free within Burma. Ms Suu Kyi has challenged the junta to respect the results of the election.

Tel Aviv stock market halts steep decline

By David Horovitz in Jerusalem

The Tel Aviv Stock Exchange rallied yesterday after a recent spate of steep falls. The index ended up 1.8 per cent, building on its 0.5 per cent recovery following a 4 per cent fall on Sunday and a 9 per cent drop in the course of last week.

The recent falls were triggered, in part, by well-publicised statements by leading officials and analysts that many shares were overvalued. Euphoria over the peace process had brought a wave of new investment, fuelling a 35 per cent rise in share values since last August.

Another factor affecting market confidence was last week's arrest of two dealers who are suspected of large-scale insider trading.

Yesterday a third suspect, leading stock broker Amos Weiss, was questioned by the Israeli securities authority on suspicion of share price manipulation and fraud.

● Jockeying began in earnest yesterday to replace Mr Simcha Dinitz, the chairman of the quasi-governmental Jewish Agency, who has been forced to step down after being indicted for fraud and breach of trust. The agency has a $500m annual budget to bring Jewish immigrants to Israel and help in their absorption. Mr Dinitz is alleged to have used the agency's credit cards for personal expenses totalling $22,000.

Chairmanship of the agency is a cabinet-level position. Mr Dinitz is a member of Prime Minister Yitzhak Rabin's governing Labour party, and a former Israeli ambassador to the US.

Several senior Labour politicians are believed to be pressing to replace him.

N Korea retreats on nuclear checks

North Korea yesterday agreed to allow inspectors from the International Atomic Energy Agency to check its seven acknowledged nuclear plants, Reuter reports from Vienna.

IAEA officials said they expected the inspections to take place before the agency's governing body meets in Vienna next week. North Korean diplomats yesterday resumed talks with the IAEA over inspection of the nuclear sites, breaking three weeks of deadlock.

North Korea has refused to allow inspections of the seven sites for the past year. Talks with the IAEA, the UN agency charged with enforcing international safeguards against the spread of nuclear weapons, stalled after the two sides were unable to agree terms.

The IAEA board of governors was expected to declare Pyongyang in breach of its obligations under the Nuclear Non-Proliferation Treaty next week unless North Korea agreed to inspections.

The US has said it would bring the issue to the UN Security Council and seek sanctions if the IAEA could no longer guarantee Pyongyang was not making nuclear weapons.

Protests follow crackdown on foreign Christians

China arrests missionaries

By Tony Walker in Beijing

China is using new religious laws to crack down on foreign missionary activity with the arrest in the past week of seven foreign Christians.

Amnesty International, the human rights organisation, urged China to release all those arrested.

US officials in Beijing said they had been informed that three American citizens among the seven arrested had been released.

Earlier this month, China gave notice that it was cracking down on foreign missionaries with the publication of new laws aimed at improving religious "management".

News of the arrests of foreign Christians in central Henan province coincides with Beijing's efforts to persuade the outside world that it is improving its human rights record.

President Clinton is obliged within the next few months to decide whether China has made an "overall, significant improvement" in its human rights performance that would justify renewal of its Most Favoured Nation trading status. International human rights organisations including Amnesty International have intensified pressure on China and on the US administration in the lead-up to the MFN decision.

An estimated 96 per cent of China's exports to the US are covered by MFN.

China's new religious decree expressly bans foreigners from setting up religious organisations, schools or offices.

Foreigners have also been forbidden to cultivate religious disciples among Chinese citizens, and appoint religious clergy.

NEWS: BCCI

BCCI audit doubts go back to 1979

By Andrew Jack

The principal auditor to the Bank of Credit and Commerce International raised serious concerns about the bank's operations more than 12 years before it was closed by regulators in July 1991.

Whinney Murray Ernst & Ernst, which is now part of Ernst & Young, the international accountancy network, wrote to Mr Agha Hasan Abedi, founder of the bank, in 1979 demanding that it be allowed to audit more companies within the group.

It also expressed worries about the failure to be able to obtain independent audit confirmation for funds deposited by and with companies within the BCCI group.

A three-page letter shows that the firm said it would refuse to continue as auditor unless it took "complete audit responsibility" for several related companies audited by other firms.

These included BCCI (Overseas), CFC, ICIC (Overseas) and associated companies in the Cayman Islands, through which many of the manipulation of accounts took place.

It also demanded to become auditor to Kuwait International Finance and – by 1980 – to BCP of Switzerland, two of the principal conduits through which it has since emerged that funds misappropriated by the bank were channelled.

The firm did not become auditor to most of these concerns, but agreed to remain auditor until 1986, when it again demanded that it become sole worldwide auditor. At this point BCCI appointed Price Waterhouse to take on the role.

The letter was written on April 11 1979 to Mr Abedi as president of BCCI Holdings in Luxembourg from Mr Alan Middleton, a partner with Whinney Murray who was hired some years later by BCCI.

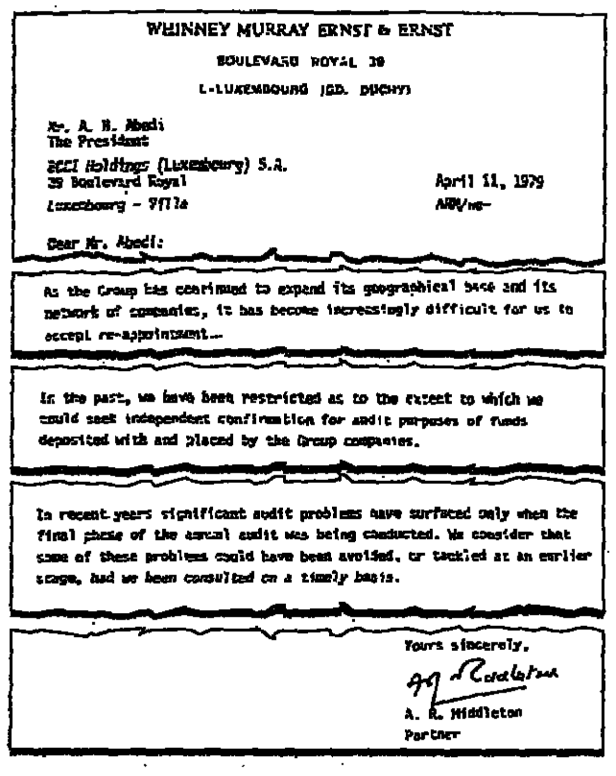
It said it had been denied access to the reports of the group's internal audit department and complained of the need for consultation earlier during its annual audit.

The firm said it was giving "serious consideration" to opening its own offices in Grand Cayman and would "definitely proceed" if Mr Abedi reappointed it.

It added that it was willing to be reappointed on the terms given and "on the assumption that the fee on which we agree represents a fair reward for our services".

It says using a single firm should stabilise or reduce the total audit costs.

Mr Elwyn Eilledge, senior partner of Ernst & Young, said yesterday that he knew about the letter and that the firm's concerns were met. He said BCCI persuaded the firm that it was already using reputable auditors for its other subsidiaries and need not change them all.



WHINNEY MURRAY ERNST & ERNST
BOULEVARD ROYAL 39
L-LUXEMBOURG (GD. DUCHY)

Mr. A. H. Abedi
The President
BCCI Holdings (Luxembourg) S.A.
39 Boulevard Royal
Luxembourg – 9771a

April 11, 1979
AHM/ne-

Dear Mr. Abedi:

As the Group has continued to expand its geographical base and its network of companies, it has become increasingly difficult for us to accept re-appointment...

In the past, we have been restricted as to the extent to which we could seek independent confirmation for audit purposes of funds deposited with and placed by the Group companies.

In recent years significant audit problems have surfaced only when the final phase of the annual audit was being conducted. We consider that some of these problems could have been avoided, or tackled at an earlier stage, had we been consulted on a timely basis.

Yours sincerely,

A. R. Middleton
Partner

Sir Sonny had special loan

By Andrew Jack in London

The former secretary-general of the Commonwealth received rental income and deferral of interest on two loans from the Bank of Credit and Commerce International while negotiating a consultancy contract during his last five years in office.

Sir "Sonny" Shridath Ramphal, Commonwealth secretary-general during 1975-90, received a loan for £200,000 from BCCI in 1984 and a further £100,000 in 1985 on which all interest was deferred.

The bank also paid him rent on two houses: one in Barbados from 1983 which had risen to $66,000 a year by 1990 net of taxes and rates; and one in London from 1985 amounting to £43,500 a year by 1990.

Sir Sonny was one of several figures courted by BCCI as consultants on international affairs. Others included Lord Callaghan, the former Labour premier, and Mr Jimmy Carter, the former US president.

The loans and interest – worth more than £536,000 – were to be written off as part of a £300,000 a year consultancy contract when he finished his term in 1990. He was to provide leadership through a consultancy organisation for a Third World foundation planned by BCCI.

The contract was never fulfilled because of management changes at BCCI in 1990 and its closure by banking regulators in July 1991. Sir Sonny this week confirmed details of the package and denied there was anything unethical in the agreement. "I could not possibly be blameworthy," he said.

He said he had not performed any work for the bank during his time as Commonwealth secretary-general except as chairman of the Third World Prize established by BCCI in 1979. He said he had negotiated a settlement to repay most of the money owed to the BCCI liquidators, less an offsetting amount to compensate him for the failure of the contract on which he was relying to be honoured.

The Bingham report into the supervision of BCCI, published in 1992, says that a session at a Commonwealth Secretariat-sponsored crime symposium at Cambridge University on money laundering and BCCI in 1989 was cancelled on the directions of the secretary-general's office. Sir Sonny said he had no knowledge of the decision to cancel the session.

Internal documents prepared by Mr Swaleh Naqvi, former chief executive of BCCI, suggest that the bank had been attempting to hire Sir Sonny as an adviser since 1980. The recruitment was delayed after he was re-elected but the documents say he "continued to appropriately project [its] image and policies."

Andrew Jack interviews the emirate's man at the bank

The view from Abu Dhabi

If one man can best describe the feelings of Abu Dhabi and its involvement with the Bank of Credit and Commerce International, it is Mr Ghanim Faris Al Mazrui.

Since regulators closed BCCI in July 1991, Abu Dhabi has faced lawsuits, allegations surrounding its knowledge of fraud, and criticism from creditors, regulators and politicians alike, all compounding its own financial losses and personal embarrassment in connection with the collapse.

"Creditors should be grateful for what Abu Dhabi has done," says Mr Mazrui. "We think they should understand we are not the only ones to blame, and maybe not at all to blame."

Mr Mazrui is chairman of the department of private affairs of the ruler of Abu Dhabi, and is in charge of the government working group established when the financial problems of BCCI emerged in 1990.

He sat on the board of BCCI companies from 1981, when Abu Dhabi acquired a 10 per cent stake through its investment authority. When in 1991 the Bank of England commissioned a secret investigation into BCCI scattered with codewords to preserve confidentiality, he was dubbed "Robin".

Until now he has spurned publicity, but last week Mr Mazrui put his government's case in an interview, interrupted by a call to prayers from a nearby mosque and by officials bringing documents for him to sign.

In the last few weeks he helped conclude an agreement with the US authorities allowing them complete access to the bank's records, and promising to hand over by April Mr Swaleh Naqvi, BCCI's former chief executive who is on trial in Abu Dhabi.

Mr Mazrui expresses confidence in his government's actions after the point at which he says it became aware of financial problems at BCCI in April 1990.

"We have nothing to fear," says Mr Mazrui. "We started on a long journey. All the time we discover that we are more confident about ourselves. We fear absolutely nothing that Naqvi does unless he dreams or writes fiction."

The story of Abu Dhabi's links with BCCI extends back to the initial friendship and financial support offered by Sheikh Zayed bin Sultan Al Nahyan, the ruler of Abu Dhabi and president of the United Arab Emirates, to Agha Hassan Abedi, founder of the bank, from its creation in 1972.

They culminate in the purchase of new and existing shares in the bank in April 1990 at the time Mr Naqvi told it of substantial losses staunched by money stolen from Abu Dhabi's $2.2bn investment portfolio, and pleaded for financial support. That led to the state's shareholding – split between members of the ruling family and those of the Abu Dhabi Investment Authority – rising to 77 per cent.

Mazrui: 'We have absolutely nothing to fear'

Mr Mazrui joined the Abu Dhabi Investment Authority when it was created in 1976 and it was in this role that he became the government's representative as a director on the board of BCCI in 1981. But he insists he had no inkling of financial troubles, and little expertise or time to devote to the bank. "I'm not a banker as such," he says.

He admits that he was aware of rumours about the financial health of the bank. "We thought it was a question of envy in the west, seeing a bank grew so fast in 10 years. We said BCCI must be taking a risk, but there are auditors, regulators, bankers and customers giving it critical analysis. This was really the atmosphere. On the face of the figures you cannot contest them. If you are not tipped off you don't suspect, you take it on trust."

Much of the criticism of Abu Dhabi has focused on the extent and timing of its knowledge of fraud at the bank, and its decision, once it knew, to restructure rather than close it. Mr Mazrui says Abu Dhabi was unaware of the losses until April 1990, when Mr Naqvi confessed – and then only in a "piecemeal" fashion through a series of reports and interviews over several months.

"When the management said they took the portfolio, we said we could not trust them. But what could we do? There was little time. You could neither believe them nor disbelieve them. They put it in our minds that the money taken was only from [our] portfolio."

"It was not an easy decision. They said if we left, one million depositors would suffer. They said BCCI was a very good bank, with good, young people working hard, and that within ten years we would recover our money."

He has little sympathy for Price Waterhouse, which drafted the report for the Bank of England leading to BCCI's closure while continuing to act as auditor and to advise Abu Dhabi on the restructuring.

"The auditors knew about the problems," he says. "They had the background. We felt their behaviour was somehow strange: they had said nothing in the past and everything now. They had arguments with management, the board had nothing to do with."

Price Waterhouse made several allegations in its report to the Bank of England against Mr Mazrui himself. It alleges that he signed a confirmation to the auditors of a falsified loan made on behalf of Abu Dhabi's crown prince. He says he signed no such document, has not seen the original and that if there is a signature it must be a forgery.

He admits – as the Price Waterhouse report states – that he received money from BCCI from the sale of the bank's shares in 1986, which he says totalled $3m-$4m. But he says the bank credited him without his knowledge, and that he demanded that Mr Abedi take the money back. When this did not happen, he says he donated the money to charities, as Mr Abedi suggested.

What is his message for the bank's creditors? "We want them to be reasonable, to appreciate our sacrifice, to question their own countries' regulators. We were not the only ones on the scene."

US seeks to dog Chinese copycats

Tony Walker on moves to halt copyright infringements

When Bill Gates, chairman of Microsoft, passes through the ornate portals of China's leadership compound in Beijing next month, he will have more on his mind than simply paying respects to senior Chinese officials.

Ostensibly, Mr Gates will be in the Chinese capital to meet Microsoft executives and local distributors, but he is certain to use the occasion to complain about the rampant pirating of his company's products in potentially the world's largest software market.

Industry representatives in Beijing estimate that Chinese software pirates are costing US manufacturers, notably Microsoft, about $500m (£342m) a year in lost revenues.

Software piracy is at the top of the list of intellectual property rights infringements that are preoccupying US trade officials in their testy relationship with their Chinese counterparts.

Indeed, it may well become an issue in Washington's annual wrangle with Beijing over the continuation of China's Most Favoured Nation trading status. China's attempts to rejoin the General Agreement on Tariffs and Trade may also be affected.

Later this month in Beijing, when officials from the office of the US Trade Representative conduct their third session since October with Chinese counterparts on the issue of intellectual property rights, discussions are likely to have a sharper focus.

This is because the US Trade Representative is obliged by April to recommend whether to place China on a priority list of foreign countries infringing copyright covenants, and thus begin the six-months countdown to the imposition of trade sanctions under section 301 of the US Trade Act.

These semi-regular meetings have not been without their theatrical moments. To reinforce their point, US officials have gone to the streets of the capital, bought boxes full of counterfeit items such as CDs and American brand-name clothing and dumped them on the table in front of their startled Chinese counterparts.

Among steps being sought by US representatives is more vigorous Chinese customs co-operation to curtail either the export or import of pirated goods.

US officials note that US Customs ranks China first on the list of countries exporting counterfeit items to the US market. Some $120m worth were seized in 1992.

Chinese intellectual property rights abuses tend to run the gamut of transgressions against trademarks, patents and copyright in spite of Beijing having become a signatory recently to a range of international conventions, including the Geneva (Phonograms) Convention, the Berne Convention for Protection of Literary and Artistic Works and the Universal Copyright Convention.

China and the US also initialled an intellectual property rights memorandum of understanding in January 1992. This document, with its safeguards provisions against abuses, is the basis of ongoing official discussions.

Apart from software piracy, the recording industry is the other big loser in a fast growing China consumer market. According to the International Federation of the Phonographic Industry, the representative body for producers of records, cassettes and CDs, "piracy is becoming rampant ... as an entrepreneurial spirit develops alongside economic reforms".

The IFPI estimates that 15 pirate CD plants are operating in China, including eight in southern Guangdong province, with a total production capacity of more than 50m units a year. This compares with estimated domestic demand for legitimately produced CDs of just 3m units in 1993.

Chinese officials, recognising perhaps that pirating has got out of hand, have begun to emphasise steps they have been taking to crack down on intellectual property rights infringements, including the establishment of special courts to deal with the problem.

People's Daily, the Communist party newspaper, reported this week that a Taiwanese had been successfully prosecuted before a Shanghai court for illegally manufacturing CDs. The paper accused the man of "damaging China's reputation" and said the case had "brought to light the illegal proliferation of laser CD production in China".

Ms Wu Yi, China's minister of foreign trade and economic co-operation, insisted at a recent press briefing that the authorities were doing all they could to counter such abuses, but China was a "large country" and enforcement was not easy.

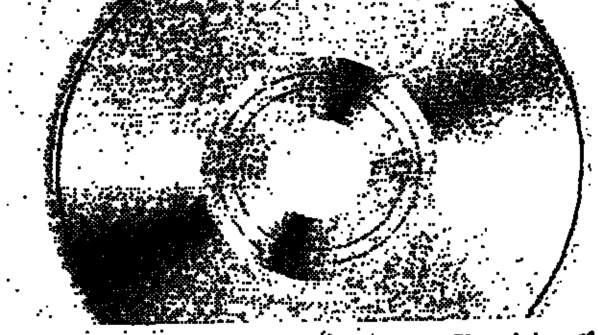
Western lawyers in Beijing say that China appears more sincere in its efforts to deal with infringements, but a big problem was the huge gap between the enactment of regulations and their implementation.

"Western companies seeking redress before the courts are only going to have limited success. It's such a vast problem that it's really difficult to get enforcement," said one.

Lawyers tend to advise clients to use "administrative means", such as appeals to the authorities, to press their concerns. Recourse to the courts, which lack sophistication in dealing with anything but the simplest cases, should be a last resort.

Cassette and CD sales in Asia (1992)

	Legitimate cassettes	Pirate cassettes	Pirates' share of total sales
China	250.0m	200.0m	44%
India	165.6m	74.0m	28%
Indonesia	47.0m	11.0m	19%
South Korea	45.6m	10.9m	19%
Taiwan	32.7m	8.5m	17%
Thailand	58.8m	26.0m	31%
Total Asia	641.1m	333.9m	34%



	Legitimate CDs	Pirate CDs	Pirates' share of total sales
China	2.6m	10.0m	83%
India	0.4m	0.0m	0%
Indonesia	1.0m	0.8m	39%
South Korea	6.9m	3.2m	32%
Taiwan	10.4m	2.4m	19%
Thailand	0.7m	0.6m	46%
Total Asia	216.3m	17.7m	8%

Source: International Federation of the Phonographic Industry

WTO role 'crucial in bilateral disputes'

By Matthew Curtin in Johannesburg

Mr Peter Sutherland, director general of Gatt, yesterday said a new World Trade Organisation would have to play a critical role in cushioning multilateral trade from the debilitating effects of bilateral trade disputes.

Mr Sutherland, who ends a brief but high-profile visit to South Africa today, said the trade wrangle between the US and Japan "must not be allowed to have any impact on the Uruguay Round" and on the talks still to take place before ministers sign the accord in Marrakesh in April.

Mr Sutherland met President F W de Klerk yesterday before a meeting with the National Economic Forum – the tripartite representation of government, business and labour, - where he discussed future South African trade policy. Mr Sutherland meets representatives from the private sector, in Cape Town, the centre of the textile industry, today before leaving the country.

Mr Sutherland said that South Africa's revised Gatt offer left the country with particular difficulties in the high tariff protection afforded to its textile and motor manufacturing industries.

Central to the WTO, which he hoped would be established by January next year, would be the graduated arbitration, mediation and settlement of bilateral disputes. Binding decisions would be open to appeal but reversible only if consensus was achieved among the parties involved.

The establishment of the WTO would have to go hand in hand with increased co-operation with the World Bank and IMF. Mr Sutherland said he had held talks last week with Mr Lewis Preston, president of the World Bank, to this end.

The overriding priority of "the Brettons Woods institutions" had to be attention to the position of sub-Saharan Africa. The success of the Uruguay Round was no panacea for the sub-continent, he said.

Mitsubishi in SE Asia chemicals project

By Paul Abrahams in Tokyo

Mitsubishi Petrochemicals, Japan's largest plastics manufacturer, yesterday announced its first investment in south-east Asia. The company is forming a joint venture with Royal Dutch Shell to build a Y51bn (£324.8m) petrochemicals plant in Singapore.

The complex, located at the Seraya island petrochemicals complex, will have an annual capacity of 310,000 tonnes of styrene monomer and 140,000 tonnes of propylene oxide. It will be Asia's largest styrene monomer plant.

The move is the latest in a rush of foreign investments by Japanese chemicals companies. They hope to reduce their dependency on the domestic market. Mitsubishi said the rapid growth of the south-east Asian market and the recent appreciation of the yen had made it imperative to secure an overseas production base.

Shell will control 70 per cent of the joint venture, to be called Seraya Chemicals Singapore. Mitsubishi will control the remaining 30 per cent. The plant, which should be operational during the second half of 1997, will take its ethylene feedstock from the Singapore Petrochemical Complex operated by Shell and Sumitomo Chemical of Japan.

East Asian styrene demand is expected to grow on average 7.8 per cent a year between 1992 and the end of the decade, according to Chem Systems, the specialist market research company.

Japan's petrochemicals industry is struggling with a collapse in domestic demand, massive over-capacity and falling prices. The industry's 12 largest manufacturers of ethylene, the basic building block of petrochemicals, are expected to report combined losses during 1993 of Y51.6bn, according to analysts.

A collapse in the demand for plastics from the automotive, construction and electronics industry has hit the industry hard. The ministry of international trade and industry estimates domestic demand for ethylene fell 8 per cent last year to 2.7m tonnes.

Gatt target date eludes top traders

By Frances Williams in Geneva

The world's four biggest traders – the US, the European Union, Japan and Canada – plan to submit their final tariff schedules to Gatt within the next few days, effectively concluding their market access negotiations under the Uruguay Round of global trade talks.

The formal deadline for submission of schedules was yesterday. However, trade officials said a few days' delay would not affect the timetable for checking and printing schedules before the Uruguay Round package of trade accords is signed in Marrakesh in April.

Hopes that Japan would agree to zero tariffs on wood and white spirits were dashed during last week's meeting in Washington between President Bill Clinton and Mr Morihiro Hosokawa, Japan's prime minister. The US, EU and Canada have withdrawn their offers to scrap tariffs on these items.

Tokyo has agreed to cut wood tariffs, now as high as 20 per cent, to about 6 per cent and copper tariffs will be halved to around 3 per cent.

Foreign investment flows gather pace

By Frances Williams in Geneva

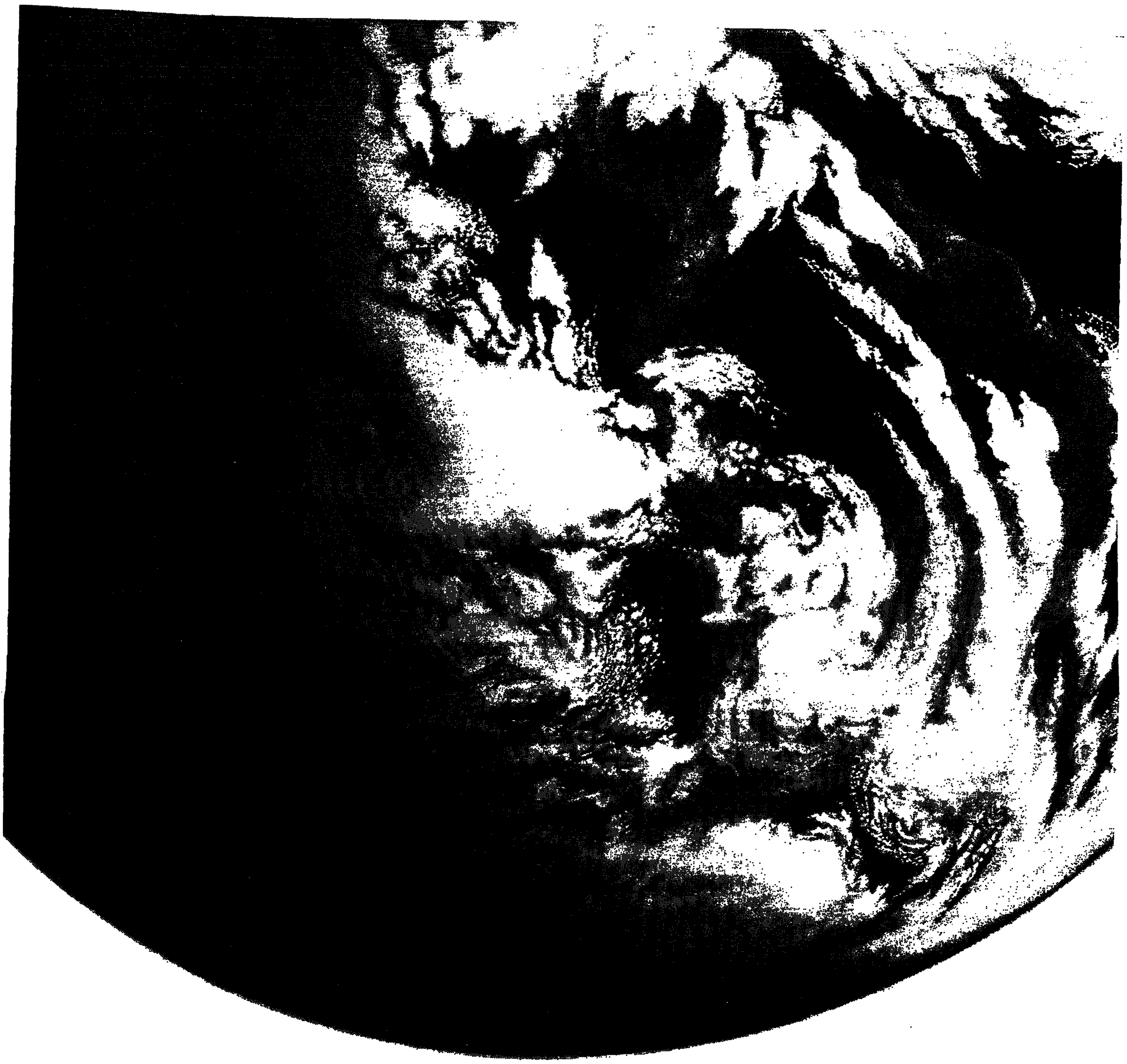
Flows of foreign direct investment, which have faltered in recent years, will pick up momentum over the course of the decade but are unlikely to match the explosive growth of the 1980s, according to a United Nations study published this week.*

Foreign direct investment (FDI) into developing countries is expected to grow considerably faster than flows into industrialised nations, which now account for some four-fifths of total global flows of $200bn (£136bn) a year. The study, by the UN Conference on Trade and Development, bases its predictions on what it claims is the first-ever forecasting model for FDI flows.

Using three different economic scenarios, the study projects increases in FDI flows of 11-12 per cent a year for Asia in the first half of the 1990s, down from 21 per cent a year in the second half of the 1980s. For Latin America FDI growth is projected at 12-18 per cent a year between 1989 and 1995, against 16 per cent in the late 1980s.

For Africa the projected range is 6-16 per cent, well above the 4 per cent annual growth notched up in the late 1980s but starting from a very low base of $2bn a year or less. FDI flows into the developed world, which grew by 22 per cent a year between 1984 and 1988, are expected to slow to 8-10 per cent a year in 1989-95.

**Unctad Programme on Transnational Corporations: Explaining and forecasting regional flows of foreign direct investment. Available from UN Sales Section, Palais des Nations, CH-1211 Geneva 10. Tel +41 22 917 2613; fax +41 22 907 0027; $15.*



BBC targets US for World Service TV

By Raymond Snoddy

The British Broadcasting Corporation is planning to take its World Service Television News and Information channel into the US for the first time in what will be seen as a further challenge to Mr Ted Turner's Cable News Network.

Mr Bob Phillis, BBC deputy director general, said yesterday the corporation hoped to launch the service, already available in more than 140 countries, on US cable networks either later this year or early in 1995.

Apart from news programmes, the 24-hour channel would carry documentaries and other factual programmes.

"This service would report international news and current affairs from an international perspective in a way that complements the existing US services," Mr Phillis told the FT Cable and Satellite conference in London.

He also disclosed that the BBC hopes to launch its news and information channel in Europe before the end of this year to complement the existing European entertainment service.

Mr Phillis also confirmed the BBC was:

- Close to finalising an agreement to launch an Arab language version of the News and International Channel.
- Actively exploring the possibilities of launching new non-news channels and news and information programmes in local languages as part of a more aggressive commercial policy.
- Linked with "broadly based global partners" to turn the corporation's global vision into reality.

Mr Phillis also said that "constructive" talks were continuing with News Corporation over whether the BBC World Service Television remains on the Star satellite system in Asia. Both sides can terminate the contract at the end of this year.

Mr Adam Singer, vice-president international of TeleCommunications, the largest US cable company, said yesterday that the UK's first digitally compressed satellite television service will start in May. Two channels, the Parliamentary Channel and Wire TV, will be sent to cable networks in a digitally compressed form. Digital compression means that a number of channels can be squeezed into the capacity formally occupied by one.

Mr Singer also argued that digital technology made the concept of launching a fifth traditional channel in the UK completely redundant.

"Licensing Channel Five would be like investing in mechanical adding machines," said Mr Singer who added that it was "almost inconceivable" that Channel 5 could get a large enough audience share to be commercially viable.

Last week MAI, the broadcasting and financial services group, Time Warner and Pearson, owner of the FT, announced they had formed a consortium which would consider bidding for just such a channel if one was advertised.

Regulator to crack down on market abuse

By Norma Cohen and Maggie Urry

Britain's Securities and Investments Board yesterday announced the formation of a new regulatory group to crack down on market abuse. It also opened a debate on the regulation of UK equity markets which the City of London believes could lead to radical changes in the way markets operate.

The SIB, the chief regulatory body for the UK securities markets, said there was a need for unified surveillance of all the markets where UK equities are traded, so that abuse, such as the manipulation of share prices for profit, can be detected and punished.

The SIB appears concerned that users' confidence in the market has been shaken by reports of abuse and misconduct, while relatively few criminal prosecutions have succeeded. It wants to develop "explicit standards of market integrity and investor protection".

Mr Andrew Large, chairman of the SIB, said that it hoped to tackle the problem of detecting market abuse first. "In the context of market abuse it is realistic for us to address it quickly. If the market can be seen to be taking it seriously it will be to everyone's advantage", he said.

The new Market Conduct Regulators Group will be charged with bringing coherence to the variety of regulations, making sure there are no gaps between them and that they adequately define and can deal with market misconduct.

It will help produce rapid responses to new market practices and consider their propriety, and aid criminal prosecutors attempts to bring transgressors to book.

The group is to be headed by the SIB, and include representatives of the various self-regulatory bodies set up under the Financial Services Act.

The SIB is also worried that the pace of change, such as the proliferation of marketplaces and the development of derivatives, such as futures and options, has overtaken regulations which date back to the 1986 Act.

In a discussion paper published yesterday the SIB posed questions to market practitioners and users on how they felt the secondary market in equities and derivatives should be controlled.

It asked whether current practices, which allow some information about transactions to be kept secret, can lead to market manipulation.

It also asked if investors' interests might be better served if more information was made available.

The London Stock Exchange welcomed the discussion paper. Mr Michael Lawrence, chief executive, said it provided "a helpful forum for consultation".

Until now regulation has not been open to debate by market operators. The SIB is seeking responses to the paper by May 31.

An RAF rescue helicopter remains grounded yesterday due to bad weather at Braemar in Scotland, as tourists enjoy the snow. Mountain rescue teams in the Cairngorms found a woman climber alive who had been missing since Sunday on the mountains in temperatures as low as -27C. Blizzards brought chaos to transport systems across the country yesterday Picture: Reuter

Sharp rise seen in holiday sales

By Michael Skapinker, Leisure Industries Correspondent

Sales of summer holidays are set to increase by between 14 per cent and 20 per cent this year, the travel agency chain Lunn Poly said yesterday.

The UK travel industry had previously been forecasting an increase of between 5 per cent and 10 per cent.

Lunn Poly, the UK's largest travel retailer, said the number of summer 1994 holidays sold through agents was likely to be between 9m and 9.5m, compared with 7.9m in 1993. This year's figure is expected to break the previous record of 8m set in 1987.

Mr Richard Bowden-Doyle, Lunn Poly's marketing director, said about 3.5m holidays had been sold by travel agents by the end of January – 40 per cent more than the same time last year.

Mr Bowden-Doyle said Spain had captured 51 per cent of the UK summer holiday market, compared with 36 per cent last year. Greece was in second place with 14 per cent, compared with 16 per cent last year. The big loser has been the US, which has won 5 per cent of the UK market, compared with 10 per cent last year.

Lunn Poly says the fall is the result of media coverage of attacks on tourists in Florida, as well as the strength of the dollar against the pound. Bookings to Florida have fallen 20 per cent.

However, other US destinations, including California, continue to be popular.

Spain's popularity and the fall in Florida bookings have changed the balance between long-haul and short-haul holidays. Only 9 per cent of summer 1994 holidays booked so far have been for long-haul destinations, compared with 13 per cent by this stage last year.

The US remains the most popular long-haul destination, although its share of this market has fallen to 52 per cent from 73 per cent.

Britain in brief

Bank plans control of share system

The Bank of England yesterday proposed that it should own and control the new CREST system for UK share settlement for the first few years of operation.

After that, shares in the system would be offered to any market participant who used it subject to certain restrictions and would then be operated by a commercial provider selected by the shareholders.

In a discussion document the Bank appeared to rule out any controlling interest in CREST by the Stock Exchange or any other organization. However, the exchange, which had been responsible for developing the failed Taurus system for paperless settlements, could bid to become the operator or could hold up to a 30 per cent stake in the CREST system through its market making members.

"The wide ownership base is to insure against CREST's pricing policy, operating regime or development plans giving undue advantage to any one commercial interest or to any one community," the Bank said.

Increase in building orders

Construction orders won by contractors in the UK rose last year for the first time since 1990, Department of the Environment figures published yesterday show.

The value of orders during 1993 increased by almost 14 per cent compared with the previous year to £19.93bn.

It was also the highest total value of contracts since 1990, when the industry won work worth £22.49bn.

Infrastructure orders were 72 per cent and 43 per cent higher respectively. Private industrial orders were 8 per cent and 33 per cent higher while private commercial orders, although 6 per cent lower than the previous three months, were 28 per cent higher than the corresponding period in 1992.

Contractors remained concerned, however, about the low prices at which contracts are being awarded, leaving little or no margin for profit.

Du Pont shuts Cleveland plant

Du Pont, the American-owned chemicals and energy company, announced the closure yesterday, with the loss of 112 jobs, of one of the UK plants it bought last July from ICI in a major international asset swap deal, and the sale of another smaller unit.

Du Pont said its decision to close the compounding plant at Billingham, Cleveland which makes nylon-based plastics , was due to the tough economic environment, which had severely impacted on prices and made it necessary to reduce excess compounding capacity so as to remain competitive.

The 112 job losses are the second tranche announced by Du Pont in plants it acquired in the deal under which took over ICI's European based nylon business and gave ICI its US acrylics business, plus around £235m.

Du Pont also announced yesterday it had reached agreement to sell the Verton nylon long fibre compound business, also at Billingham, to LNP Plastics Nederland B.V., a Dutch-based subsidiary of Kawasaki Steel Corporation.

Upturn seen in property market

An upturn in demand last year pushed the availability of offices in central London down by more than a fifth to stand at 14 per cent of the total stock.

Last year "provided clear evidence of the market cycle turning," according to DTZ Debenham Thorpe, property advisers, which published the survey. The decline stemmed from a 20 per cent rise in take-up, principally from the banking and financial services industries.

Pay deals edge up, says CBI

British manufacturing wage settlements edged up to 2.6 per cent for the three months ending last January, according to the latest pay data published yesterday by the Confederation of British Industry.

This was a slight rise on the 2.2 per cent recorded for the three months to December but lower than the 2.7 per cent recorded for the same period last year.

The CBI said the range of settlements continued to be wide reflecting the varied picture across the economy. As many as 41.9 per cent of deals in manufacturing were worth 2.5 per cent or less and only 8.1 per cent provided pay rises of over 4.5 per cent.

One in six manufacturers and one in five service firms are still applying a pay freeze of up to 12 months.

Increase in merger business

Mergers and acquisitions among UK companies have increased for the first time in two years, according to official figures published yesterday which boost government attempts to focus attention on economic recovery.

In the last quarter of 1993, British companies spent £2.7bn on domestic takeover activity compared with £1.2bn in the third quarter, according to the Central Statistical Office.

The increase pushed the annual value of mergers and acquisitions up to £6.8bn, a 17 per cent rise over the 1992 total.

The CSO said the 160 deals completed in the quarter, was 51 per cent ahead of the same period in 1992, reversing the downward trend for the first time since the Spring of 1991.

The CSO said, however, that just three deals accounted for 62 per cent of the total spending on takeovers in the last quarter.

Education standards under new scrutiny

By John Authers

A report which suggested that 92 per cent of employers thought recruits did not have a "sufficient" command of English was yesterday described by the Labour party as "a damning indictment of 15 years of Tory education policies".

The Queen's English Society found that 38 per cent of the 218 companies it surveyed had had to spend money to bring recruits' literacy up to their required standard. Others said they wished to do so, but did not have enough money.

Most recruits were "poor" at writing reports, memoranda and minutes, and giving presentations, according to the responses.

There were particular problems with application forms, with some applicants unable to spell the titles of their GCSE subjects.

Mrs Ann Taylor, Labour's education spokesman, said that if the survey's findings were true, even in part, "the 16 to 18-year-olds referred to in this survey have spent their entire school life under a Conservative government".

Teachers downplayed the report. Mr Nigel de Gruchy, general secretary of the NASUWT teachers' union, said: "Employers have always complained about standards of school leavers since state education was introduced."

He pointed out that inspectors' reports showed that teachers succeeded with around 75 per cent of pupils, and suggested the Queen's English Society should "try teaching some of the unteachables themselves".

The Confederation of British Industry also downplayed the report, saying that other countries were in a similar position and that employers' needs had changed, with 70 per cent of recruits requiring "cerebral" skills, compared with only 30 per cent in 1950.

The survey targeted 1,178 companies with workforces of more than 20.

Japanese carmakers back 'learning' project

By John Griffiths

Managing directors, team leaders and production workers from a dozen UK motor components suppliers are to spend time in Japanese factories as part of an initiative by the Department of Trade and Industry, backed by manufacturers Nissan, Toyota and Honda, to boost the competitiveness of the UK industry.

The aim of the two-year "Learning from Japan" initiative, which is also being backed by Rover Group, Unipart Industries and the Inchcape group, is to upgrade the quality of nearly 10,000 smaller component makers in the UK.

Known as second- or third-tier suppliers, their products are built into the more complex components systems supplied directly to the carmakers' production lines by the few hundred big "first tier" component makers, such as GKN and Lucas.

Together the components makers form one of the biggest elements in the UK's manufacturing economy, with turnover estimated at £14.7bn a year, nearly 150,000 employees and £3bn in direct exports.

Improving the smaller companies' competitiveness is seen throughout the industry as a vital next step if the current revival of the UK-based – if no longer UK-owned – motor industry is to be sustained.

A warning that it is already being put at risk by hundreds of small suppliers failing to improve quality and productivity standards was given recently by Professor Dan Jones, the motor industry academic who has been involved in benchmarking studies between the Japanese and UK components industries.

Top executives of Nissan's, Toyota's and Honda's UK manufacturing operations, helping launch the initiative in London yesterday, maintained that the gap in many cases is closing.

Nevertheless Mr Yukihisa Hirano, managing director of Toyota Motor Manufacturing (UK) said there was cause for "concern" because some of the 160 or so main suppliers to each of the Japanese plants still tended to blame their own "second-tier" suppliers for quality problems rather than address the fundamental issue of helping the small companies improve.

The 12 companies taking part in the initiative range from small pressings makers such as Hockley-based Frederick Woolley to plastics moulders such as the Hartlepool-headquartered Stadium group.

Mr John Pearson, Stadium's managing director, said he hoped the Japanese visits would help Stadium build on efficiencies it has learned since forming contacts with Nissan in the 1980s.

Britain to study ballistic missile defence system

By Rachel Johnson

Britain took the first step yesterday towards a ballistic missile defence (BMD) system – a version of the US "Star Wars" of the 1980s – by launching a study for the defence industry to complete by 1996.

Mr Malcolm Rifkind, the UK defence secretary, said the proliferation of ballistic missiles in the post-Cold War world could emerge as a "significant threat to deployed forces".

While only missiles in the former Soviet Union are currently capable of reaching the UK, Mr Rifkind pointed out that the technology to produce them was not confined to Britain's traditional enemies.

In response, the government had set aside money from the annual £22bn defence budget for a national programme of studies to assess technical options, costs, and the performance of systems likely to be available.

It will decide on whether the UK needs a BMD capability on the basis of the study, which will be worth around £3m to successful bidder.

Any contract for developing and manufacturing BMD weapons systems, however, is likely to run into several billions of pounds.

Competitors for the early study, which include British Aerospace and GEC-Marconi, yesterday welcomed one of the first signs that the government might add to its defence capabilities since the government's 1990 Options For Change reforms.

But BAe, which said it would be competing for the study with a team of other companies – not necessarily all British – immediately raised doubts over the affordability of the BMD programme at a time when the MoD was making cutbacks in all three services.

The manufacturers are well aware that an off-the-shelf BMD already exists in the form of the US-made Patriot – and that the British government might decide to buy that if the early studies convince it to acquire a BDM capability.

Mr Brian Lowe, of the Defence Manufacturers' Association, welcomed the fact that the government was trying to keep pace with technological advancements. "But one doesn't count any chickens in this game and it's a question of priorities," he warned.

The Labour party said that the launch of the review was long overdue given that the government had scrapped the surface-to-air Bloodhound missile as long as four years ago and had not replaced it.

A position of authority for Mr Hurd

Philip Stephens on how Britain's foreign secretary plays a pivotal role in John Major's government

Every prime minister needs a Willie, the then Mrs Margaret Thatcher once said in a comment that was as true as it was infelicitous. Mr John Major should on this occasion pay heed to his predecessor's advice.

Baroness Thatcher was referring to the pivotal role played by Lord Whitelaw during her first two terms in No 10 Downing Street. As home secretary and subsequently leader of the House of Lords and deputy prime minister, Lord Whitelaw provided the countervailing common sense to his mistress's ideological drive.

His qualities have been well documented. In her memoirs Lady Thatcher recounts that "he could often sense my mood even before I had realised it myself". More importantly he combined absolute loyalty with acute political instincts. Lord Whitelaw was the man who could tell Lady Thatcher when to stop.

Understandably her account of the Downing Street years omits to say that it was after his enforced departure through ill health in December 1987 that her administration fell victim to the hubris which eventually destroyed it.

But the later rows with her chancellor over the exchange rate, her unflinching faith in the poll tax and the cabinet battles over Europe could all be attributed in significant part to the absence of a steadying hand on the tiller. Her leadership was diminished by the departure of the only colleague with sufficient political authority to restrain her.

Lord Whitelaw still has an influence that few appreciate. His opposition earlier this month to some of the main provisions of the police bill forced an immediate government retreat.

More importantly, he is consulted widely by the Tory party's "men in grey suits" on the state of the government and on the prospects for Mr Major's premiership.

Mr Major consults him less than he should. Lord Whitelaw's voice will be the one to listen to most carefully if the results of the local and European elections are as bad as many Tories now fear.

The prime minister cannot re-engage Lord Whitelaw, even though his wisdom would be a welcome addition to a cabinet hardly overflowing with intellect and political instinct. But Mr Major can, and should, do the next best thing. Without waiting for his planned summer reshuffle, Mr Douglas Hurd, the foreign secretary, could be given the additional title of deputy prime minister.

The title itself has no formal place in Britain's constitution. But as Lady Thatcher recognised, it carries a powerful message about the relative authority of those in the cabinet. By giving Mr Hurd power to act on his authority, Mr Major might considerably strengthen his own embattled position.

The political advantages are obvious. The foreign secretary is a safe pair of hands. He carries weight with all sections of the party – even with those on the right who are deeply suspicious about his views on Europe. Like Lord Whitelaw before he was defeated by the incumbent of No 10 in a leadership election. But his standing has risen rather than fallen in the intervening period.

In a cabinet of tacticians, Mr Hurd stands out also as one of the few strategists. As foreign secretary he spends much of his time fire-fighting. But he has a concept of Conservatism which stretches well beyond tomorrow's headlines.

The praise should not be overdone. Mr Hurd, travelling with the prime minister in Moscow yesterday, could not fail to be reminded during their talks at the Kremlin of the mistakes he has made over Bosnia. More generally, Britain's foreign policy is in some disarray. Tensions with Washington and Tory animosity towards Brussels has left the government straddling an awkward divide.

Mr Hurd is also a natural toff in a party led by a self-proclaimed champion of meritocracy but his brand of Toryism is as close to the prime minister's than that of anyone in the cabinet. He is as advocate of reform rather than revolution, of the community as well as the individual, and of Europeanism rather than isolationism. Unlike Mr Major he has the rhetorical talents to give form to those concepts.

Promoting him now might be misunderstood. Mr Hurd would again be a principal contender for the leadership if Mr Major were to fall.

But the prime minister is in trouble. For all his determination to ride out the expected summer storms he needs to restore control over his cabinet, his government and his party if he is to secure his premiership.

In short, Mr Major needs a Douggie.

Foreign secretary Douglas Hurd is widely regarded as a safe pair of hands, influential throughout the party Picture: Ashley Ashwood

MANAGEMENT

Christopher Lorenz reports on the obstacles to change

A new mind-set for the manager

The top management of a very large German company wanted to achieve the Holy Grail of big business everywhere: to make its managers less bureaucratic, more entrepreneurial, more empowered and empowering.

All that was needed to change their behaviour, it thought, was for their beliefs and "culture" to be altered. So it invited a professor, Heinz Thanheiser, to help "hammer the message into their heads" about the need for change.

The fallacy that new beliefs – or "culture change" – lead automatically to new behaviour is just one of many basic mistakes which companies make when trying to change, renew or "transform" themselves. Others include lack of sustained leadership of the change process, and too frequent modification of the emphasis and content of the process, according to Thanheiser and Yves Doz, a fellow professor at Insead, the business school near Paris.

Another common mistake is to underestimate the extent of the innate barriers against change which exist in most companies, Thanheiser and Doz argue in a working paper* published under the aegis of Insead's Corporate Renewal Initiative.

With few exceptions, big companies suffer a litany of barriers, claim the academics: "Internal distrust, poor communications, disenfranchised middle management, a low level of employee motivation, stifling of entrepreneurial spirit, slow decision-making, lack of collaboration across internal boundaries, and inhibited learning."

For change processes to succeed against such odds, three complementary steps must be taken, say the academics. Managers need to identify the main external challenge to the company's strategy. The "organisational context" within which decisions are taken, and the rules governing people's tasks, roles and relationships, must also be altered. And the "world view", or "mind-set", of managers needs changing by linking it to the company's new strategic thrust.

The latter is an especially tough task. In spite of the "modernisation" of corporate structures and systems, the mind-set of most managers appears to have remained remarkably similar to the "Taylorist" model developed at the beginning of this century (by Frederick Taylor, the "father" of so-called "scientific management").

Few modern managers would advocate the exercising of authority in the blatantly coercive ways which Taylor espoused – in order to control "dumb and lazy workmen", as he put it. But Thanheiser and Doz argue that even in knowledge-intensive companies managers are still influenced by his principles of hierarchical order, narrow specialisation and "command and control" systems – all of which were designed to achieve the compliance of an uneducated workforce.

Modern bureaucracies may use subtler means for achieving compliance, say the duo, but their highly educated managers and "knowledge workers" are nevertheless "stifled rather than mobilised to contribute all their intelligence and energy".

This latent energy should be unleashed in almost revolutionary fashion in the change process itself, advise Thanheiser and Doz. Faced with the all-too-frequent barrier of conservatism among senior executives, they argue that "organisational renewal (often) benefits from the shared expectations, collectively-held change agenda, and peer pressure that middle managers can bring".

This is not to say that change processes can only be successful if they start in the middle or near the bottom of an organisation, Thanheiser and Doz emphasise. Unlike many other academics and consultants, they argue that top-down – or "programmatic" – change can also succeed in certain circumstances.

**Regaining competitiveness: a process of organisational renewal.*

Associated Press

Rie Miyazawa, who helped promote Borden's Classy brand, before she broke off her engagement to sumo wrestler Takahanada

Use the system, win shelf space

Not all companies find the Japanese market daunting. **Michiyo Nakamoto** talks to two which have cracked it

The failure of last weekend's trade talks in Washington will only confirm impressions that the Japanese market is a hard one for foreign companies to crack. Countless explanations, from the complexities of the Japanese distribution system to the peculiarities of Japanese corporate purchasing practices – which are often dictated by business ties rather than price – have been given. One argument coming from the US is that the Japanese somehow behave differently from people in other industrialised nations.

But foreign success stories suggest that while the differences are real, the system does not necessarily work against foreign companies per se. On the contrary, success is often linked to a company's ability to use the system to its advantage.

Warner-Lambert, the consumer products group, and Borden, which has a well-known ice cream brand in Japan, are two US examples.

Warner-Lambert's Schick brand of razor blades has a 70 per cent share of Japan's market for wet shave products – as opposed to dry, electric shavers – despite competition from two Japanese brands. It has been more successful in Japan than Gillette, which it lags in the US and many other markets.

What helped Schick to build such a strong position? Ken Hill, marketing director of the consumer health products group at Warner-Lambert in Tokyo, points to a solid understanding of the country's distribution system, a focus on Japan as a priority market and aggressive marketing support.

On the first point, Warner-Lambert was fortunate in its tie-up with Hattori Seiko, its Japanese distributor, through which it began selling Schick razor blades in Japan in 1960. Hattori Seiko handles all importation, warehousing, distribution. It also handled selling until last year when Warner-Lambert set up its own sales force.

Understanding the complex distribution system with its layers of wholesalers, and having the patience to deal with it, are crucial in Japan because it is difficult to get products on to shelves by directly approaching the retailer.

The system has considerable disadvantages. The number of wholesalers pushes the retail price up several times against that in the US and often a listing fee must be paid to ensure retailers make a profit. The system also complicates communication between manufacturer and retailer. "It was almost like Hattori Seiko was considered the maker of Schick," Hill says.

Nevertheless the tie-up proved invaluable for Schick in dealing with the distribution system and motivating wholesalers and it got the company's products on to shelves.

The second key to Warner-Lambert's success was its policy of positioning Japan as a priority market and introducing the latest technology there, in many cases earlier than its competitors. For example, Schick brought stainless steel blades to Japan when its Japanese competitors were still selling carbon blades. Strict attention was paid to packaging to ensure it would be acceptable in a country where presentation is important.

But high-quality products and mindful distributors need to be supported with aggressive marketing, Hill says. Hiroya Yano, representative director, chairman and CEO of Borden Japan, agrees. His parent company's losses may be mounting in the US but the appearance of Borden's Lady Borden brand of ice creams in almost every supermarket in Japan is testimony to the company's success in that market.

Like Warner-Lambert, Borden initially had a tie-up with a Japanese partner, Meiji Milk Products. The 20-year partnership ended in 1990 when the US company decided it needed a marketing and sales force that could respond quickly and flexibly in Japan's increasingly competitive ice cream market. It set up its own sales and marketing team and launched a strategy to sell its traditional Lady Borden brand ice creams at competitive prices and to position a new brand, Classy, in the premium ice cream category.

While the decision to discount the traditional brand paid off, increasing the sales by about 30 per cent compared with a year ago, Borden's strategy was really tested with the introduction of the Classy brand, which is sold at convenience stores.

Under Yano's direction, the company adopted an aggressive marketing strategy, using a popular and controversial actress in its advertising and making sure that it won over retailers and wholesalers to its plan even before the product was ready to go on shelves.

"There is an iron rule to success in Japan," Yano says. High-quality products at affordable prices must be backed by a strong marketing plan. The ingredients to successful marketing, he says, are aggressive advertising and close co-operation with wholesalers and retailers.

Intensive advertising, Japanese style, is essential not only to reach the consumer but also to convince the wholesaler and the retail buyers that it is worth carrying a specific product. In launching Classy, Borden hired actress Rie Miyazawa, who was in the news at the time because of a broken engagement with a famous sumo wrestler, at considerable expense. It also secured a substantial number of advertising slots in the media.

The investment paid off. It made an impression on consumers and convinced wholesalers and retailers that Borden was serious about Classy, Yano says. The company had aimed for shelf space in 15,000 convenience stores but was able to secure space in 32,000.

Securing shelf space is a particular challenge in Japan where each product is listed precisely, competition is stiff and aggressive retailers may drop products in three months, Yano says.

Equally important is bringing wholesalers and retailers into the marketing plan early on. Months before Classy's launch, Yano visited convenience stores to talk to buyers. "If you do that buyers give you advice, you develop a relationship and the shelf space is there before you ask for it," he says.

Share options for all

If you are an executive in a British company you can expect to be given share options. If you are a mere employee the best you can hope for is the chance to save up for them through a sharesave scheme.

However, some companies are trying to narrow the gap. A small handful is starting to introduce share option schemes for everyone modelled on the schemes usually only available to executives.

The most recent example is Alpha Airports, which joined the stock market last week. Alpha has decided to give each of its 6,500 employees the option to buy 350 shares in three years' time at the issue price of 140p. So far each one is showing a paper profit of around £100. While the scheme makes no distinction between the lowliest employee and senior middle management, a separate (more generous) option scheme also exists for senior directors.

New Bridge Street Consultants, which advised Alpha on the all-employee "executive-style" scheme, argues that it is more democratic than usual sharesave schemes. Most of these are only taken up by 30 to 40 per cent of the workforce, as the bulk of employees cannot afford the monthly contribution. By contrast, the option scheme costs nothing until the options are exercised (in three to 10 years' time).

Such schemes are likely to please institutional investors, which have become increasingly concerned about executive option schemes. Last week, the Pensions and Investment Research Consultants told its clients to vote down new schemes that were not open to all.

However, employees offered share options are not necessarily being given a ticket to the stars. In 1992, Wellcome granted all of its UK workers the option to buy 500 shares each. From next year they will have the right to take them up at £7.72, but at today's share price of £6.48, they are hardly holding their breath.

Lucy Kellaway

BUSINESS AND THE ENVIRONMENT

Sludge on your cereal

The idea that your breakfast cereal or toast began life being fertilised with sewage sludge may not be very appealing. But it seems this will increasingly be the case.

Some 42 per cent of the 1.1m dry tonnes of sludge produced in the UK each year is already applied to cereal and industrial crops and to grassland. The quantity is expected to rise sharply in the next 12 years as European Union regulations on effluent treatment double the amount of sludge produced.

Sludge will also need a new home when dumping at sea is banned in 1998.

UK farmers could save between £15m and £22m a year on chemical fertilisers, and obtain similar results, by opting for sludge, says Mark Aitken, environmental scientist at the Scottish Agricultural College.

Aitken will tell local authority and water company representatives at the Scottish Exhibition and Conference Centre in Glasgow today that sludge contains nitrogen and phosphorus – important plant nutrients – and organic matter, which improves the soil's ability to hold water.

But he will emphasise the need for careful analysis since it can also contain heavy metals and organisms that cause salmonella and other diseases. Fields must be tested, too, for suitability for sludge application.

Sewage sludge is not used to grow fruit and vegetables in case any bacteria splash on to the crop and are not washed off.

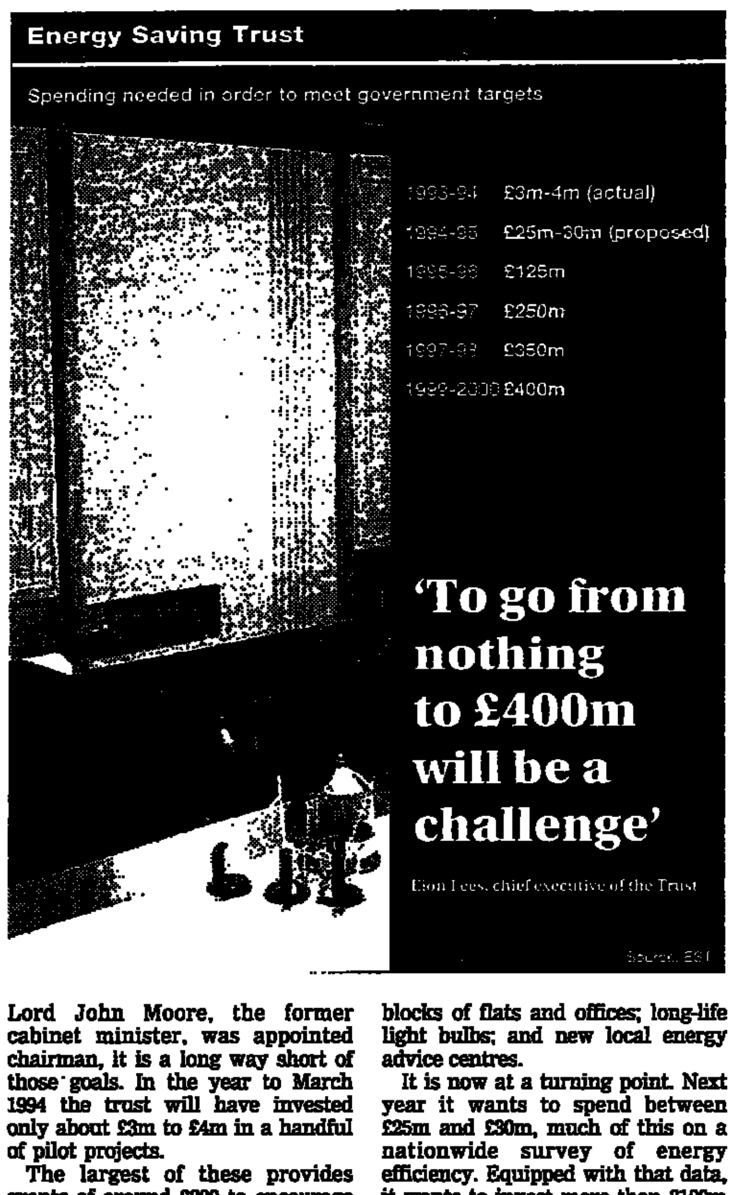
But it is safe for cereals because it is applied when plants are young, before the edible ears have grown. "The plant is also quite discriminating and doesn't transmit any contaminants to the edible portion," says Aitken.

The prospect of more sludge being recycled free of charge on fields is likely to worry fertiliser manufacturers. Aitken admits it may also be resisted by farmers preferring an inorganic fertiliser which they have used successfully for 20 years to "some nasty brown stuff".

Alison Maitland

Off on the wrong foot

Bronwen Maddox reports on the row brewing over the funding of Britain's Energy Saving Trust



Energy efficiency, one of the most innocuous-sounding parts of the UK government's environmental policy, is shaping up to be a political minefield.

Last month John Major, the prime minister, announced that the government's plans for combatting the threat of global warming rested heavily on the Energy Saving Trust, whose mission is to encourage households to use fuel more efficiently.

But giving that much prominence to the trust may prove a misjudgment. One of the commitments in the 1992 election manifesto, the trust has been slow to get off the ground. The government now needs urgently to sort out regulatory conflicts and political controversies that are threatening to cripple the trust before it has begun to act.

One of the most serious emerged within hours of Major's speech. Clare Spottiswoode, director-general of Ofgas, the gas regulator, told a parliamentary select committee that she was reluctant to allow the trust to pass the costs of its projects on to gas customers. Without that means of funding, the trust's activity could be severely curtailed. Eoin Lees, its' chief executive, says her remarks were "a bombshell".

Even if that is navigated, the trust presents ministers with a tough dilemma. If the trust fails to meet targets for cutting emissions of carbon dioxide, the UK could find it hard to fulfil its pledges at the 1992 Rio Earth Summit. But if the trust succeeds, it could become unpopular by pushing up household fuel bills across the country.

The purpose of the trust – in fact a company limited by guarantee – is to search out investments for British Gas or the 12 regional electricity companies which will help their customers use energy more efficiently.

The heart of the trust's problem is that although energy efficiency schemes often sound like something for nothing, the initial investment needed is high. It has also become clear in the past year that the government's targets for the trust are demanding.

According to figures published by the Department of the Environment after last year's spring Budget, the government wants the trust's schemes to curb emissions of carbon dioxide by 2.5m tonnes of carbon a year. That is around a quarter of the cuts which the UK needs to make by the end of the decade to meet its Rio commitments.

To meet that goal, the trust will need to be investing between £300m and £400m a year by the last years of the decade, according to DoE reports.

But although the trust was formally set up 18 months ago when Lord John Moore, the former cabinet minister, was appointed chairman, it is a long way short of those goals. In the year to March 1994 the trust will have invested only about £3m to £4m in a handful of pilot projects.

The largest of these provides grants of around £200 to encourage householders to install gas-condensing boilers, which typically cost more than £1,000. The trust has also backed combined heat and power generators for large blocks of flats and offices; long-life light bulbs; and new local energy advice centres.

It is now at a turning point. Next year it wants to spend between £25m and £30m, much of this on a nationwide survey of energy efficiency. Equipped with that data, it wants to invest more than £100m the next year, and some £350m a year by 1997-98.

"After the pilot projects are complete, we would move to the real big spend," says Ian Fraser, the newly-appointed finance director.

But to make that leap, the trust will have to overcome the barrier which Spottiswoode has suddenly erected (Offer, the electricity regulator, has shown less anxiety about the trust's funding). She told the select committee on trade and industry that she did not believe that a regulator should impose levies on customers which were tantamount to "regressive" taxes – falling proportionally harder on less well-off families.

Her concern is that all households, even those which have not benefited from the trust's work, will pay a share of its' costs. But those who have benefited are likely to be comparatively well-off, as they can afford to install gas-condensing boilers.

That is a sensitive point for the government, according to Andrew Warren, director of the Association for the Conservation of Energy. The DoE's own figures suggest that if the trust met its targets in full by the end of the decade, and if its costs were fully passed on to customers, annual average energy bills might rise by between 2 per cent and 4 per cent.

Those increases would come on top of the value added tax at 17.5 per cent imposed in last year's spring Budget, which provoked one of last year's fiercest political rows.

Labour, which has made much of the VAT uproar, has now homed in on the trust's potential impact on fuel bills. Chris Smith, Labour environment spokesman, said: "We support the concept of the trust, as so little is being done about energy efficiency. But we want the cost of the schemes to be passed on to those properties which have benefited from improvements."

The trust says that these concerns about its future are unwarranted. Its directors argue that if it is successful, energy savings will mean that for many people the rise in household bills would not be as big as DoE figures suggest. They say, too, that many projects planned for the next few years, notably one dubbed "Affordable Warmth", are targeted at poorer households.

Their confidence, however, assumes that the government can persuade its critics that households should foot the bill for energy efficiency. Urgent talks have now begun between Ofgas, the Department of Trade and Industry and the DoE to work out whether the trust's brief is compatible with the regulators' present powers, or whether new regulation might be needed.

Those are still formidable hurdles for the trust to overcome before it fulfils the central role in UK environmental policy which Major has awarded it.

Openness helps nuclear mediator

David Buchan on French interest in radioactive waste research labs

It is hard to imagine anyone in most of northern Europe volunteering, even lobbying, to have a nuclear waste research laboratory built underneath them. Yet that is what some 30 French local authorities did, and a shortlist of four has just been chosen by France's "nuclear mediator", Christian Bataille.

On the shortlist presented by Bataille to the government last month are two sites in the east (Meuse and Haute Marne), one in the west (Vienne) and one in the south (Gard). After studying their geology for two years, the government will choose two in which to sink underground research labs, costing around FFr1.5bn (£170m) each, a step towards a possible decision around 2006 on an eventual nuclear waste storage site.

The 56 reactors which generate nearly 80 per cent of France's electricity also produce more than 4,000 cu m of waste a year, of which 200 cu m (about the size of the average private swimming pool) is of long-lived and high radioactivity. At present, this is piling up in a temporary silo at the Cap La Hague reprocessing plant near Cherbourg.

The French Greens have recently unveiled their "Nuclear – Let's Get Out of It" campaign, which will particularly target the four possible waste research sites. But, overall, Bataille's shortlist decision has attracted nothing like the outcry accompanying similar moves in the 1980s. Then the experts of France's Agence Nationale pour les Dechets Radioactifs (Andra) drew up a list of 28 possible sites on purely geological grounds and then selected four. There was such opposition that by 1990 the government halted the plan.

The problem was passed to parliament where Bataille, a socialist deputy, in alliance with parliament's Scientific and Technical Evaluation Office, was instrumental in the passage of France's first nuclear waste law in 1991, covering research into elimination and storage of waste.

Bataille was subsequently named "nuclear mediator" in the quest to choose the two underground lab sites. He tried a novel approach: "We put out a tender for anyone who wanted such a laboratory in their area, and we got positive replies from 30 local authorities," says Bataille. He was most surprised by the interest from Roubaix, a heavily populated town near Lille in northern France. Why was the reaction in 1993 so different from that in the late 1980s, given broadly unchanged public support for nuclear power?

Bataille admits that one reason was money; the 1991 law rewards any community hosting one of the underground labs with FFr60m a year in aid over 15 years. But this, he says, is not an enormous sum, amounting to the cost of a few kilometres of highway. More important was the fact that any storage decision is now clearly for the next century. Earlier, communities were given the impression that if they accepted a laboratory they would probably end up with a permanent waste storage site on the same spot.

In the event, Roubaix and 19 other local authorities failed the necessary geological test of having "soil that is compact, impermeable and without flaws". In choosing the final four, Bataille said he was largely guided by the fact that their Conseils Régionaux voted unanimously for the laboratories. But this political consensus was not shared by all at a more local level.

Nonetheless, Bataille claims his open method of public consultation has vastly improved the climate of opinion. "What frightens people are decisions taken secretly," he says, "and until recently the French nuclear industry has been secretive, particularly the chief regulatory body, the Commission à l'Energie Atomique with its military origins." By contrast, he commends the country's nuclear power operator, Electricité de France, for its openness.

Bataille is considered a nuclear stooge by the Greens. "I certainly believe that nuclear power is important in giving cheap electricity to France, just as gas is a strategic interest to Russia or oil to the Middle East," he says. "But I don't represent any lobby."

PEOPLE

Graham Walker joins F&C Management

Graham Walker, 47, who was deputy managing director of *Standard Chartered's Scimitar* fund management operation when it was taken over by Royal Bank of Scotland in 1992, has been appointed chief operating officer and group finance director of Foreign & Colonial Management, the fund management group.

Michael Hart, chairman of F & C Fund Management, said that the group had been growing at a "tremendous rate" over the last few years and it made sense to bring in someone from outside with administrative skills to help plan and control the growth.

The group is jointly-owned by Hypo Bank, Germany's fifth biggest bank, and five London investment trusts, and its funds under management have grown from £1.4bn in 1985 to £10.3bn currently.

Walker, who trained as an accountant with Thomson McLintock, spent much of his early career with the Wardley merchant banking group in Hong Kong before joining Thomson McKinnon Securities in 1986 as regional vice president for Europe. In 1989 he was made deputy managing director of Standard Chartered Equitor and in November 1992 he switched to Capital House.

Gibson moves up at ESN

Bob Gibson, managing director of ESN Securities Investment Management, is to succeed Michael Cannan as chief executive when he retires.

ESN Pension Management *Group is the fund management company formed out of* the in-house pension scheme manager for the now-privatised electricity supply companies. Under a unique structure, the companies would keep their pension assets with ESN, buying "units" in the fund. Although the companies have the option to move their assets after a few years, almost all the funds have remained.

ESN, which offers administrative services to other pension schemes, has said it would like to expand its investment skills "to a wider audience". But officials there say privately that despite its strong performance record, it has difficulty attracting new clients because it has no name-brand recognition. Therefore it would be interested in acquiring a smaller outfit with a high public profile.

New chief at Symonds

Jim Symonds, a distant relative of the founder of Symonds Engineering, has been appointed group chief executive of the Cheshunt-based precision engineer with immediate effect.

Symonds joined the board of the company only last February as a non-executive director, and became production director in June. Before joining Symonds he was the manufacturing director at Rolls-Royce Motor Cars, where he worked for 26 years.

The change at the top follows the appointment in July of Rod Ackrill as chairman, replacing Jim Ruggles who remained md. Now Ruggles is resigning from the board and *as md after 39 years with the* company, pending his early retirement on April 1.

Ackrill says he is confident that Jim Symonds would be instrumental in developing the group into a broadly-based engineering company.

In December, the company reported that its pre-tax losses halved from £256,000 to £126,000 in the six months ended September 30, because of improved margins and cost-cutting.

■ Peter Knox has been appointed director of healthcare, R&D, at AMERSHAM INTERNATIONAL; he moves from Glaxo.

■ Simon Esberger, formerly with Häagen-Dazs in Paris, has been appointed marketing director of SPILLERS FOODS.

■ Larry Pillard (below), president and ceo of AE Staley, TATE & LYLE's US subsidiary, has been appointed to the parent board.

Non-executive directors

George Wright, regional secretary in Wales of the Transport and General Workers Union, is joining the board *of the Welsh Development* Agency.

Wright, who is 66, is the WDA's third non-executive director to be appointed by John Redwood, the Welsh secretary, since the start of the year. But the agency, in the throes of a management restructuring after being criticised by the Commons public accounts committee, still awaits a chief executive to replace Philip Head, who is resigning.

■ John King (above right), secretary general of the European Foundation for Quality Management and a former director of BT, and Sir Timothy Kitson (above left), chairman of Provident Financial Group and Leeds Offshore, at LEEDS PERMANENT BUILDING SOCIETY; Robert Strachan has retired.

■ The Hon Neil Turner as chairman at LAZARD SMALLER EQUITIES INVESTMENT TRUST (formerly Grahams Rintoul Investment Trust) following the death on December 23 of Bernard Friend.

■ Bertrand Collomb, chairman and chief executive of Lafarge Coppée and vice-chairman of the World Industry Council for the Environment, has been appointed an advisory director of UNILEVER.

■ Jane Moir has resigned from ECU TRUST.

■ Peter Dodd, a regional director of Barclays Bank, at RAGLAN PROPERTY TRUST.

■ Christopher Sporborg, joint deputy chairman of Hambros, at CE HEATH; John Clay has retired.

■ David Barnes, ceo of Zeneca Group, at REDLAND.

■ The Earl of Kinnoull as chairman of WOOLWICH Homes; he succeeds the late Alan Cumming.

■ Neville Chamberlain, chief executive of British Nuclear Fuels, at TRINITY HOLDINGS; Donald MacKenzie has resigned.

Richard Lutyens

Richard Lutyens, who died at the age of 45 last Saturday, first came to attention in the city as one of Sir Siegmund Warburg's bright young men. He joined Warburg in 1972 and had been made a director before he was 30 – a distinction shared with Sir David Scholey, Warburg's current chairman and John Craven, chairman of Morgan Grenfell.

A great nephew of Edwin Lutyens, the British architect, Lutyens was recruited to Warburg by Bernard Kelly and quickly caught Sir Siegmund's eye. Ron Chernow notes in his book, *The Warburgs: a family saga*, how Rothschilds tried to exclude S G Warburg from a Eurobond issue for an American client. Sir Siegmund, who prided himself on his memorandums, ordered his young employee to search the archives for a memorandum covering a verbal agreement he had made with Rothschilds 15 years before. Lutyens found it and Rothschilds backed down.

Lutyens' diligence was soon rewarded with a seat on the Warburg board. However, he quit Warburg in 1982 and after spells with the United Gulf Investment Company and Goldman Sachs, he was made a managing director of Merrill Lynch Europe and helped build its European equity business.

After three years with Merrill, he went off to establish a small merchant banking boutique, with John Campbell and Bill Dacombe, two merchant bankers who had once worked together at N M Rothschild. Lutyens used his strong connections on the continent to persuade Mercapital, the Spanish merchant bank, to take a stake in Campbell Lutyens Hudson in 1990, and he remained non-executive chairman of the 16-strong firm until his death. His funeral is on Friday at 10.0 am at the Church of the Immaculate Conception, Farm Street, London.

The cutting edge of jazz

Who would bring crazy new music like this to the regions if the Arts Council ever dissolved the Contemporary Music Network? Could the people of Leeds reasonably expect to see American musicians blowing down the wrong end of trombones, without Arts Council funding? Is it right that Brighton be exposed to "shifting grids of sand . . . film scores without films" at all?

Winters have been warmed by the sublime and sometimes ridiculous sands of half-hinged modernists, often bringing with them to the regions lectures and workshops, courtesy of the Arts Council since 1971. But for how much longer? The Arts Council is reorganising its touring department and until hard decisions are made in March, the future of CMN beyond next year is uncertain.

Drummer Bobby Previte and his Empty Suits, whose UK tour closed at The Junction in Cambridge on Sunday, are the kind of musicians whose mad, passionate work is the hallmark of a CMN programme. With scores which create a dense but ordered background to searing improvisation, this earth-moving quintet's music alternately bludgeons and caresses to bewildering effect. Two keyboards gurgle subterranean style, the icy tones of muted pocket trumpet are exchanged for valve trombone (whose operator shouts into the bell end sometimes) and the drip-drip of electric rhythm guitar explodes into wah-wah heat.

Shifting from hard bop sounds to heavy rock, Previte lifting and lowering the dynamic as much by facial expression as by his playing, it is challenging and funny music. It is tight, too, and the musicians are all working hard from charts. Some of the work was commissioned for the Moscow State Circus and alludes to tangoing white rats and unsmiling clowns. Later, a metal barnstorm evolves from Ravel-inspired piano work, penny whistles confusing the atmosphere.

To reduce the availability of esoteric and expensive music like Previte's (why is experimental and minimalist music usually made by large ensembles?) might seem a painless way of reducing the touring budget. But CMN is like a travelling oasis for regions starved of well-organised cutting-edge art, especially now the regional arts boards have been trimmed. To a point, London can look after itself, but what other major promoter would take Glenn Branca's Symphony No 10 for massed electric guitars to Cardiff or Bracknell, for example?

The CMN spring programme continues with tours from Glenn Branca at the end of this month; London Brass at the end of March (new pieces including Michael Nyman's tribute to John Cage) and the Northern Sinfonia in May (a new cello concerto by Poul Ruders).

Garry Booth

Television/**Christopher Dunkley**

Picasso unexplored

The Tate Gallery exhibition *Picasso: Sculptor/Painter* opens today and BBC2 is in the middle of a season of programmes designed to complement the event. This is remarkable for two reasons: first because there are few television channels in the world which would even consider such a season. Britain has two; it is easy to imagine Channel 4 doing something similar. Given the worldwide tendency for television to concentrate more and more on such derivative and childish trash as *Don't Forget Your Toothbrush* (which, ironically, was launched on Saturday by Channel 4), we in Britain should count ourselves fortunate indeed to have two channels still willing to treat the audience like grown ups.

However, the season is remarkable secondly because there seems to be a vacuum at its centre. Picasso is the primary representative in the public imagination of "Modern Art"; and "Modern Art" is treated with suspicion, hostility or contempt by, I would guess, a considerable majority of the population. So, given the obsession with the "mass" aspect of television as a mass medium, you might think that the controller of BBC2, Michael Jackson, and BBC television's head of music and arts, Kim Evans, would see the Tate exhibition and their own season as the occasion to take the bull – that one made out of a bicycle saddle and handlebars if you like – by the horns and take the Modern Art debate to the public.

Instead they are behaving as though they are unaware that there ever was any controversy over Modernism. In this entire season, beginning on Saturday and spreading across two weeks, with 12 proper programmes and 20 amusing little 90-second inserts called *Talking Picasso*, there are just two occasions when the central debate might be heard. The first is *Picasso v. Matisse* which is transmitted tonight. The programme starts with the twee idea that there is only room in heaven for one more artist, and St Peter (black of course, though surprisingly not a woman) has to choose. Which should it be?

Unfortunately, though it touches on the contrasts between Matisse as the decorative colourist and Picasso as the intellectual master of form, the programme rapidly reverts to the main preoccupation of this series: Picasso's sexuality and the role of his models and mistresses. But there is a moment when we are shown a painting of a cream rectangle against a dark background and the commentary remarks that after looking at this it is easier to go back and look at one of Matisse's late groups of dancers and ignore what the dancers are doing and instead see how they fill the space and how the paint fills them. In other words painting is not about dancing or sunshine or joy, it is merely about painting.

This, surely, is where television should start the big debate. It is the concentration on just such closed-shop talk, full of internal references to the world of painting rather than the world of ordinary people's experience, which ordinary people find most pretentious about the world of Modern Art. To outsiders it looks like a comfy little world of artists reacting to one another's latest weird passions, dealers egging them on, a few people with more money than sense buying art in the hope that it will out-perform the Footsie 100, and an army of academics and critics arguing the toss over all this in a secret language.

However, the opportunity is missed and the programme moves back to discuss Picasso's bafflement at Matisse's ability to paint from nude models since Picasso found that, faced with a naked woman, he invariably became more interested in going to bed with her than painting her. Hence his habit of painting the female form clothed or from memory.

Picasso is the ideal artist to exemplify the debate about 'Modern Art', but this series has ducked the issue

Apart from the last in the season, all the other programmes are devoted either to Picasso's life, as with the opening offering, *Yo Picasso*, a documentary which uneasily mixed conventional and drama techniques to tell the story of his female companions; to some highly detailed aspect of his work as in Sunday's *Picasso In Concrete* which showed how Carl Nesjar translated Picasso's cardboard maquettes into pre-stressed concrete; or to the specialised reactions in *Talking Picasso* where, for instance, greengrocers criticise the fruit in a Picasso still life and a plastic surgeon muses on the possibility of rebuilding the head of a woman in which both eyes appear on one side of the nose.

Ho ho. It is healthy not always to take art too seriously, and practically all these programmes are entertaining, informative, and well made – though some of the foreground music in the *Richardson On Picasso* trio was irritating, and in *Yo Picasso* loud enough to drown the dialogue. Nor is this season free of television's most infuriating habit in the coverage of art: using the camera to comment on paintings in a way that expresses the TV producer's sensibilities at the cost of the artist's. No artist ever intended you to see his work by starting in big close-up on an eyebrow before zooming out to the whole canvas. Moreover, repeating Clouzot's *Le Mystère Picasso this coming Friday risks* embarrassing comparisons. Nearly 40 years old, this extraordinary exercise in which Picasso painted on glass as cameras filmed from the rear is the most powerful piece of work in the season.

The main point remains, however: Picasso is the ideal artist to exemplify the debate about the Modern movement because he showed with the pictures in his early Blue and Rose Periods that he was capable of creating hugely impressive and popular work in conventional styles, yet he chose to move into cubism and other unconventional styles. Why?

Occasionally we get a hint, as in John Richardson's Monday programme with its details about early analytic cubism in Picasso's sketches from a Spanish hotel window. But within the larger consideration of Modernism these are trifles. What you would never gather from this Picasso season is any sense that figurative and non-Modern art is now moving back into the vanguard, and that it begins to look as though the entire Modern movement will be seen with hindsight, perhaps quite soon, as an eccentric detour within the larger history of art.

Of course there is still the last programme in the season which it has been impossible to preview: *The Late Show* on Thursday February 24. We are told that this will tackle such questions as Picasso's place in the Modern movement, and how far he can be held responsible for "the alienating trends of the present" in the art world. However, it sounds as though the chief concern will be the position of sculpture in the work of the painter, precisely the point implied by the title of the Tate exhibition.

Television arts departments in general, and *The Late Show* in particular, appear to believe unswervingly in Modernism and are thus out of kilter with non-metropolitan public opinion. So it would be astonishing if *The Late Show* did mount a debate which managed to stand outside the enchanted village of Modernism and seriously question its creed.

Yet in the mass medium of television that, surely, is one of the most important things that any proper season on Picasso ought to do.

David Seymour, Magnum Photos

Picasso: the TV series seems more interested in his sexuality rather than his work

Highest level of entertainment

Max Loppert enjoys the Covent Garden premiere of Massenet's 'Chérubin'

In more than one sense, the score of Massenet's *Chérubin* is made of light music. The tunes, the dances, the pot-pourri introductions to each of the three acts, all state immediately their adherence to the musical category that (for instance) Thomas Beecham used to explore with such light-fingered elegance: dessert fare, quickly absorbed and digested, put together with a degree of economy that guarantees its lingering effect on the palate.

But *Chérubin* is light in other ways as well. Light in texture: scored in dew and gossamer (the impression that the bass-line instruments are being allowed the night off is a constant, captivating illusion), and carried on rhythms whose flexibility and dramatic responsiveness are a direct function of Massenet's word-setting gifts. And light in the radiance of vocal sound that fills each unfolding sequence: again, this seems, but is not, a three-act divertimento entirely for high voices.

In all this lies, for me, the irresistible quality of Massenet's 27th opera (1905), of which the Royal Opera has just given the belated British premiere. It sets limits of unpretentious entertainment and then, with a skill as effortless as it is self-concealing, surpasses them.

The notion of a *Marriage of Figaro* operatic pendant in which Cherubino is the principal character (nothing to do with the third of Beaumarchais's "Almaviva" plays, *La Mère coupable*: Massenet's librettists adapted Francis de Croisset's 1901 comedy) is itself a civilised conceit. The opera's Mozartian touches – the Count and Countess as minor characters, a wry reference to *Don Giovanni* to counteract the happy-ever-after final curtain – are deftly, not insistently made.

The purpose, rather, is to reflect in the most delicate of operatic glasses the dizzier moments of youthful romantic emotion. Because the opera moves so fast and its substance appears so undemanding, it is only afterwards that one realises it has said something rather interesting about the human condition – about the maddening, delightful unpredictability of the human heart.

By now it must be clear that I think *Chérubin* a worthwhile addition to the Royal Opera repertory: a season containing Massenet's "sung play" (according to his own labelling) at the one end and Birtwistle's *Gawain* at the other is admirably wide-ranging indeed! By and large the new production is a success, more than perhaps might have been predicted, given its difficult birth pangs: the dispute with the original conductor, Rozhdestvensky, meant that Mario Bernardi – former Sadler's Wells chief and a very welcome returnee to London opera – had probably little more than a week to chime his interpretation in with that of the producers.

He has done so very well: the last word in fizz may be lacking in the playing, but the pacing is excellently trim. The cast is firmly supported, and its star, the American Susan Graham, encouraged to shine. In the title role Miss Graham's mint-fresh high mezzo (which revives memories of the young Yvonne Minton) gives pleasure of the most rewarding kind: the use of the voice is subtle, not showy, and Massenet's principal-boy conception takes on the richness I suspect it has by no means always displayed.

Angela Gheorghiu's Nina is full of dusky fragrance, sometimes a touch sharp in pitch. The showpiece soprano role, the dancer L'Ensoleillad, finds Maria Bayo bright-toned but mostly rather impersonal in her inflections. Robert Lloyd's Philosopher – idealised parent-figure, wise and humane – is wonderfully sympathetic. Minor roles are tidily assigned, with generally a higher standard of French delivery than usual in this house: Ryland Davies, another welcome house returnee, stands out as the Duke.

Tim Albery (producer) and Anthony McDonald (designer) have found a palatably modern-accented approach to Massenet which for many people will increase the evening's attractions. The manner is at once quirky and pretty-pretty, with heavy reliance on storybook colours and patterns, and infusions of dance beyond the basic needs of the plot; the comic scenes are turned into lightly mechanised farce.

For my taste the show is over-designed to the point of archness, and correspondingly too often short on simplicity. The addition of actors playing Susanna and Figaro, who simultaneously translate the many patches of French spoken dialogue, is a Bad Idea, even if one sees how and why it came about. In the end, the freshness of the principals, the unassuming mastery of the conductor and the beauty of the work itself come through with room to spare.

In repertory until March 1; sponsored by KPMG Peat Marwick and the Jean Sainsbury Fund

INTERNATIONAL ARTS GUIDE

■ BORDEAUX

Grand Théâtre Fri, next Mon, Wed and Sun: Karl Anton Rickenbacher conducts Roberto de Simone's production of Die Zauberflöte, with cast headed by Gilles Cachemaille and Donna Brown (5648 5854)

■ CANNES

CANNES MUSIC FESTIVAL
This year's festival runs from Feb 25 to March 6. The opening concert is given by the Orchestre National du Capitole de Toulouse under Michel Plasson. Other highlights include a Mozart programme with the Academy of St Martin in the Fields under Neville Marriner, and a Beethoven and Chopin recital by Abdel Rahman El Bacha. All events take place at the Palais des Festivals (9299 3108)

■ COLOGNE

Philharmonie Tonight: Gidon Kremer and Martha Argerich play music for violin and piano by Beethoven. Fri: Simon Rattle conducts Orchestra of the Age of Enlightenment in symphonies by Mozart and Schubert. Sun morning, Mon and Tues evenings: Peter Schneider conducts Gürzenich Orchestra in works by Strauss and Suk. Sun afternoon: Borodin Quartet gives first concert in a cycle of Shostakovich string quartets. Next Wed: José Carreras (0221-2801)
Opernhaus Tonight: James Conlon conducts Harry Kupfer's new production of Shostakovich's The Nose. Fri, Sun, next Wed: Fidelio with Ben Heppner and Lisbeth Balslev. Sat: TanzForum production of Peer Gynt, choreographed by Jochen Ulrich (0221-221 8400)
Schauspielhaus This month's repertory includes Günter Krämer's radical version of Fiddler on the Roof, Chekhov's The Seagull and Shakespeare's As You Like It (0221-221 8400)

■ COPENHAGEN

Royal Theatre The main event this week is the premiere on Sat of new ballets by Danish choreographer Anna Laerkesen and American dancer Laura Dean (repeated Feb 21, 23, March 3, 9, 14, 16, 24, 28). Repertory also includes Helgi Tomasson's new production of Sleeping Beauty, Tosca and Otello (tel 3314 1002 fax 3312 3692)

■ DRESDEN

Semperoper Tonight: Stephan Thoss' production of Prokofiev's ballet Romeo and Juliet. Fri: Les Contes d'Hoffmann. Sat, next Thurs and Sun: Colin Davis conducts Fidelio. Next Wed: Davis conducts Dresden Staatskapelle (0351-484 2323)
Kulturpalast Sat, Sun: Michel Plasson conducts Dresden Philharmonic Orchestra and Chorus in concert performances of Carmen, with cast headed by Elena Zaremba and Mario Malagnini (0351-486 6666)

■ FRANKFURT

Oper The programme for the rest of the month is devoted to a new production of Janacek's From the House of the Dead, staged by Peter Mussbach and conducted by Sylvain Cambreling. Next performances tonight, tomorrow, Sat, Sun and next Wed (069-236061)
Alte Oper Sun: Collegium Musicum Freiburg and Frankfurt Kantorei in sacred works by Bach and Mozart. Next Tues: Roger Norrington conducts Chamber Orchestra of Europe and Frankfurt Kantorei in choral works by Beethoven and Mendelssohn (069-134 0400)

■ HAMBURG

Staatsoper The main event this week is a new production of Henze's Die Bassariden, conducted by Markus Stenz and staged by Christine Mielitz in designs by Gottfried Pilz (repeated Feb 24, 27, March 3, 8, 11, 18). Repertory also includes Madama Butterfly, Ariadne auf Naxos and a new Ravel trilogy choreographed by John Neumeier (040-351721)
Musikhalle Tonight: Kathleen Kuhlmann song recital. Sun: Hamburg Symphony Orchestra plays Brahms and Mozart. Mon: Labeque Sisters (040-354414)

■ LEIPZIG

Opernhaus Tonight: Jiri Kout conducts John Dew's new production of Don Giovanni, with Tomas Möwes in title role. Fri: Werther with Keith Ikaia-Purdy in title role. Sat: Il barbiere di Siviglia. Next Wed: Elektra with Sophia Larson (0341-291036)
Gewandhaus Tomorrow, Fri: Heinz Rögner conducts Gewandhaus Orchestra in works by Rakhmaninov, Mozart and Mahler, with piano soloist Peter Rösel. Sun morning, Mon evening: Justus Frantz conducts MDR Symphony Orchestra in Schumann and Mozart, with violin soloist Vadim Repin. Sun evening: Brandis Quartet plays string quartets by Mozart, Debussy and Beethoven (0341-713 2280)

■ LILLE

Opéra Tonight, Fri, Sun: Jean-Claude Casadesus conducts Daniel Mesguich's production of Un ballo in maschera, with cast led by Vincenzo La Scola, William Stone, Stefka Evstatieva and Linda Finnie (2012 8240)
Nouveau Siècle Next Tues: Jean-Claude Malgoire conducts Orchestre National de Lille in works by Weber, Wagner and Beethoven (2012 8240)

■ LYON

Auditorium Fri, Sat: Stanislaw Skrowaczewski conducts Orchestre National de Lyon in works by Beethoven and Bruckner (7860 3713)

■ MUNICH

Gasteig Tonight, Fri: Gerd Albrecht conducts Munich Philharmonic Orchestra in works by Peter Ruzicka, Mahler and Pettersson. Sat: Enoch zu Guttenberg conducts Sinfonia Varsovia in Mozart and Schubert, with piano soloist Paul Gulda. Sun: Kazimierz Kord conducts Warsaw National Philharmonic Orchestra in Brahms and Shostakovich, with piano soloist Valery Afanassiev (089-4809 8614)
Staatsoper Tomorrow: John Cranko's ballet The Taming of the Shrew. Fri, next Tues and Fri: La Cenerentola with Cecilia Bartoli. Sat, Mon: Tosca with Tiziana Fabbricini, Peter Dvorsky and Bernd Weikl. Sun: charity gala concert featuring Ute Lemper, Julio Iglesias, Margaret Price, Birgott Nilsson, Ursula Andress and numerous others (089-221316)
Herkulessaal der Residenz Feb 21: Alban Berg Quartet. Feb 22: Labeque Sisters. Feb 24: Marjana Lipovsek song recital. Feb 24: Maurizio Pollini. Feb 25: Martha Argerich and Gidon Kremer. Feb 28: Julian Bream (089-299901)
Komödie Neil Simon's 1991 Pulitzer Prize-winning play Lost in Yonkers runs till Feb 28, directed by Phil Young (089-2916 1633)

■ OSLO

Konserthus Tomorrow, Fri: Marc Soustrot conducts Oslo Philharmonic Orchestra in works by Tomasi, Poulenc, Milhaud and Roussel, with organ soloist François-Henri Houbart. Feb 26: opera gala (2283 3200)

■ STOCKHOLM

Royal Opera Tonight: La traviata with Lena Nordin as Violetta. Tomorrow: Glen Tetley's ballet The Tempest. Fri, next Tues: Lohengrin with Gösta Winbergh in title role. Sat: Friedrich Haider conducts revival of Bengt Peterson's production of La boheme (tickets 08-248240 information 08-203515)
Konserthuset Tonight: Okko Kamu conducts Stockholm Sinfonietta and Chorus in Mendelssohn's Lobgesang Symphony. Sat afternoon: Lindsay Quartet plays string quartets by Haydn, Tippett and Debussy (tickets 08-102110 information 08-212520)

■ STRASBOURG

Théâtre Municipal Tonight, tomorrow, Sat, Sun afternoon: Theodor Guschlbauer conducts Pierre Strosser's production of Die Fledermaus, with cast including Francis Egerton, Stuart Kale and Petra Maria Schnitzer (8875 4823)

■ STUTTGART

Staatstheater Tonight, next Tues: Stuttgart Ballet mixed bill. Tomorrow, Sat: Don Giovanni. Fri: Tom Cairns' production of La boheme. The Kleines Haus has Herbert Wernicke's adaptation of Die Fledermaus. Gabriele Ferro conducts orchestral concerts in the Liederhalle on Sun morning and Mon evening, featuring works by Busoni, Webern, Aldo Clementi and Mendelssohn (0711-221795)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

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MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

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NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Ian Davidson

Pains of growth

The EU's ideological battle is affecting its enlargement

Mr Douglas Hurd, Britain's foreign secretary, has called on the UK's ruling Conservative party to unite round a common manifesto for the European parliament elections in June, and not to refight last year's battles over the Maastricht treaty. He urged Conservatives to stand as "the party of Europe", confident that the UK government's vision of a loose, free-trading European Union was now becoming the new orthodoxy in Europe.

Mr Hurd's anxiety is as understandable as it is acute. In the ordinary course of events, the European parliament election campaign would be likely to be fought as a plebiscite on the government's domestic record, not on the future of the EU. Since the government is deeply unpopular, the elections risk being a disaster for the Tories. But the disaster will be all the greater if, in addition, the campaign becomes the scene for another virulent slanging match over Europe between the two halves of the Tory party.

If Mr Hurd succeeds in papering over his party's split over Europe, he will be lucky. Unfortunately, it is simply not true that the UK government's vision of a loose EU is now the new orthodoxy in Europe. What is true is that there is now no accepted orthodoxy on the future of the EU, because the Union is in a state of profound political malaise.

The reason for this malaise is that the Union has been completely overtaken by the speed and scale of events in the real world outside. When the Maastricht treaty was put together, in the brief moment of ecstasy after the fall of the Berlin Wall, President François Mitterrand and Chancellor Helmut Kohl thought they were concluding a grand Franco-German Euro-bargain for the *internal* development of the EU, as a counterpart to German unification. They did not foresee that their private deal might be ship-wrecked by the storms on the world's foreign exchange markets, or by war in the Balkans.

In addition, the Union has lost credibility with the voters, and therefore with politicians, because it has failed to exorcise recession or avert rising structural unemployment. Once upon a time, Europe was sold on the prospectus that economic integration would deliver growth, in spite of the transitional pain of European economic liberalism. Today, Europe's workers are being asked to accept that their jobs and the postwar European socio-economic model may be thrown on the garbage heap, for the sake of a global economic liberalism which bypasses anything decided in Brussels, or indeed in any national capital.

As a result, the EU is now plunged into a gloom as deep as the phase of Euro-pessimism of 10 years ago. Since that earlier pessimism then gave way to an equally intense phase of Euro-phoria, with the Single European Act and the collapse of communism, some may reasonably ask if the present depression may not turn out to be just another passing phase.

There is now no generally accepted orthodoxy on the future of the European Union

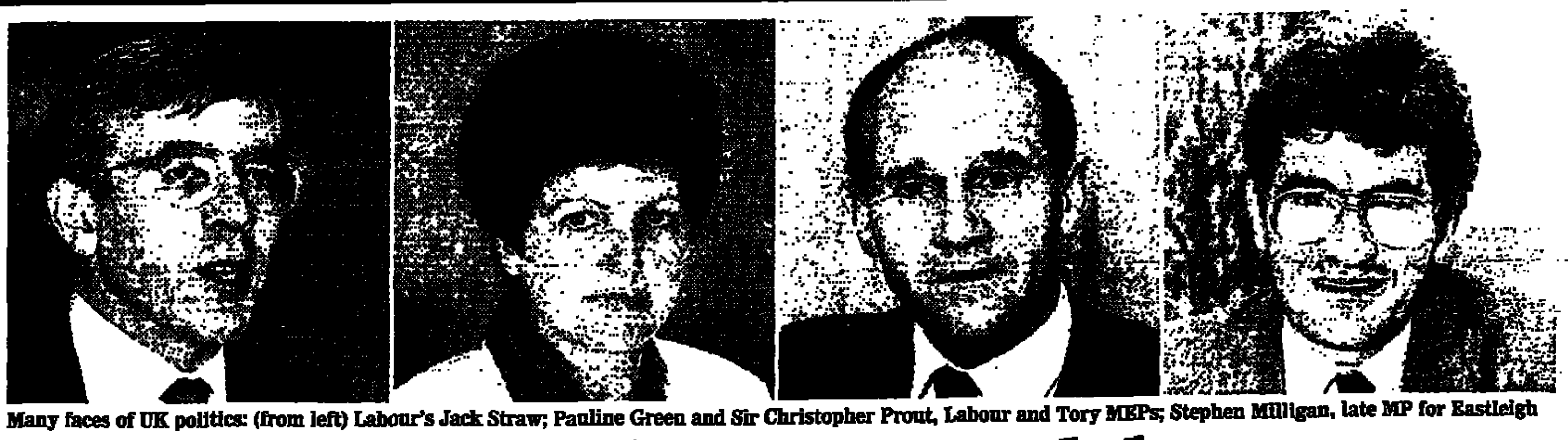
It may. But there at least two reasons why it may not. The first lies in the shortcomings of the Maastricht treaty. The plan for economic and monetary union may not be dead, as the jeering Euro-sceptics would have us believe, but its future is at best uncertain. The equally grand scheme for a common foreign and security policy always looked over-ambitious; in the light of events in ex-Yugoslavia, it now looks merely flatulent.

With hindsight it seems clear that the practical prescriptions contained in the Maastricht treaty fell short of the stated objectives. If the member states really want monetary union, they probably need to make a bigger political commitment; if they want a common foreign policy, they obviously have to make a much bigger political commitment. Right now the Union has a treaty whose stated ambitions exceed its grasp; but there is no general willingness to strengthen the treaty so as to make its aims attainable.

But the disagreement between the member states on where the EU is going, or how to get there, is made much worse because they do not know how many members it will have; and this is the second reason for gloom. The fall of the Berlin Wall has released a flood of eager candidates: four members of the European Free Trade Association are negotiating now, and there is a platoon of other countries waiting to join. It should be obvious that a much larger Union will be a very different Union. But the present member states cannot resolve the problem of what such a large EU should look like, because they are still impaled on the ideological argument between nationalists and federalists.

This unresolved ideological argument is bound to cut across the question of EU enlargement, and might conceivably prevent it. The European parliament, which now has the power to ratify enlargement, said two years ago that it would not agree to new members unless its own powers were strengthened; yet it seems unlikely that members will renegotiate the Maastricht treaty, and certainly not in the middle of negotiations with the Efta candidates. In the event, parliament may hesitate to veto enlargement. But this week such a threat came from Spain, which suggested that it might block the admission of the rich Efta countries, without an increase in regional aid to the poorer countries of the Mediterranean.

In other words, enlargement may yet become a negotiating pivot for the Union's old ideological arguments. But these arguments cannot effectively be addressed at least until France has a new president next year, and probably not until the Maastricht review conference of 1996. The present phase of Euro-gloom could be with us for a long time yet.



Many faces of UK politics: (from left) Labour's Jack Straw; Pauline Green and Sir Christopher Prout, Labour and Tory MEPs; Stephen Milligan, late MP for Eastleigh

Modesty could mean success

Kevin Brown assesses the triple election trial facing the UK government

Midterm by-elections are always difficult, even for governments not mired in real or imagined scandal. But the Eastleigh poll, following the death of Conservative MP Mr Stephen Milligan, matters more than most for UK prime minister Mr John Major: it will be accompanied – probably on May 5 – by elections for two Labour-held Commons seats and thousands of local government seats and, in June, for 84 seats in an expanded European Parliament.

Taken together, the various elections amount to a three-part referendum on the government's standing – the biggest electoral test for the Conservatives since Mr Major pulled off an unexpected victory in the 1992 general election.

Officially, only the parliamentary elections will be fought on national issues. A variety of local issues is already emerging in the council elections, and the Maastricht treaty will be central to the European campaign.

But the results will be analysed with a single criterion in mind: can the Conservatives recover enough ground over the next three years to win another general election, or are they in so much trouble that only a change of leader can save them?

It will not be a clean fight. The focus of Labour's campaign is allegations of "Tory sleaze" and incompetence, much of which arises from the recent spate of disclosures about the private lives of Conservative MPs.

Senior Tories accuse Labour of running a smear campaign. Conservative officials have already released details of seven alleged Labour smears; they threaten to publish further details from a "lies file" held at Central Office.

Both main parties allege policy differences between Liberal Democrat candidates in various parts of the country, and point to the party's disciplinary problems in east London, where members have been accused of racism.

While the parties agree the campaign is likely to be dirty, a fog of disinformation is obscuring the battlefield as the campaign strategists play down their parties' chances.

First, Eastleigh. The government is expected to try to minimise the impact of the by-election by holding it on the same day as the local elections. Conservative officials have little hope of holding the seat, which would fall to the Liberal Democrats on a swing of 11.6 per cent – much less than the swing they achieved in the Christchurch and Newbury by-elections last year.

The Liberal Democrat leadership is playing down its chances on the grounds that its relatively thin resources will be stretched by the local and European campaigns. But it remains favourite to take the seat.

Paradoxically, Labour has given the government a glimmer of hope by opting for a high-profile campaign, directed by the team which won mid-Staffordshire from the government in a by-election in 1990. Mr John Smith, Labour leader, reasons that the government's problems have made Eastleigh a genuine three-way marginal. He will campaign personally in the constituency, along with other shadow cabinet ministers, in sharp contrast to the party's low profile at last year's by-elections.

This strategy could go wrong if a split opposition vote allows the Conservatives to hold the seat, or if Labour trails in third. If that happens, Labour will console itself with inevitable victories in by-elections at Barking and Rotherham, where it is the sitting party.

Second, the local elections. Early forecasts, based on Labour's lead in most recent opinion polls of about 20 per cent, suggest the Tories could lose dozens or hundreds of seats in metropolitan authority elections all over Britain.

It may not be that simple. The Conservatives did so badly at the 1990 elections, when the seats at stake were last contested, that it would be hard for them to do much worse. Indeed, Labour's public stance is that its own party will do well to hold its ground.

"I am confident that our vote will go up, but we could be in the paradoxical position of doing well but losing seats because we are fighting on the 1990 results, which were spectacularly good for us," says Mr Jack Straw, Labour's campaign organiser.

Labour's problem is that it already controls most big authorities where the seats are being contested. In some, such as Hull, it holds every city council seat. In others, such as Birmingham, it is defending a tiny majority achieved on a flood tide of Labour votes.

One important test will be London, where Labour did relatively badly in 1990. The party is playing down expectations of gains in Westminster and Wandsworth, the two flagship Conservative authorities tainted by allegations of gerrymandering. Privately, party strategists expect gains in both boroughs. There are also hopes of outright victory in outer London boroughs, such as Croydon and Ealing, which remained loyal to the Conservatives in 1990.

However, Labour could lose seats to the Liberals in the south London boroughs of Southwark – part of which is a Liberal stronghold – and Lambeth, where Labour councillors face corruption allegations.

Mr Paddy Ashdown, the Liberal Democrat leader, is playing down expectations of a big breakthrough. But Liberal Democrat strategists will be disappointed if the party fails to consolidate its successes across the south in the county council elections last May.

Finally, Europe. Labour took 41 per cent of the vote in the last election in 1989, when it won 45 of the 78 British mainland seats, compared with 32 for the Conservatives and one Scottish Nationalist. This time, on June 9, it expects to pick up most of the 2m votes polled by the largely defunct Green party in 1989.

No one will put a figure on Labour's target, but Ms Pauline Green, leader of the party's European MPs, dismisses projections that it will win 56 to 69 of the seats at stake. She concedes only that Labour is confident of doing "very well", and expects to win more seats, including Herefordshire and Shropshire, where Sir Christopher Prout, leader of the Tory MEPs, is standing.

Privately, however, party workers are less circumspect. One claimed "there is no such thing as a safe Conservative seat", and reported a Conservative MEP lamenting that the party's delegation might soon fit into a Brussels taxi.

The Liberal Democrats are playing down claims that they could win up to a dozen seats. But officials admit that they are confident of taking three or more seats in the south-west, and possibly one or two in the south.

If the government's worst fears in the three elections were realised, the Conservatives could be left with less than a dozen seats in the European Parliament, severe losses in the local councils, and humiliating defeat in Eastleigh. A bad result in one of the three polls would not necessarily spell the end of Mr Major's premiership. Disaster in all three might.

The key, however, is what would constitute disaster. The thinking in Downing Street is that mediocre results in the elections will seem a triumph if a rout of Conservative candidates is expected.

For this reason, Conservative strategists are doing little to counter media speculation of a Tory collapse. It is a strategy that infuriates Mr Straw, who accuses the Conservatives of "laying trails suggesting they are going to do extremely badly".

But a similar approach worked well in the last comparable round of local elections in 1990, when Mr Kenneth Baker, then environment secretary, manoeuvred Labour into targeting the Tories' London strongholds of Westminster and Wandsworth.

Labour polled strongly across the country, but failed to extract full benefit from its performance because it did not take the two Tory flagships. The Conservatives are laying a similar trap this year. This time, Labour thinks it has the government's measure.

LETTERS TO THE EDITOR

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No evidence of narrowing output gap

From Mr Giles Keating.

Sir, Samuel Brittan ("The enigma of the UK output gap", February 14) writes that "whatever the output gap, it is narrowing smartly ... we know this from the combination of the unexpectedly sharp fall in unemployment and other labour market indicators, and from business survey evidence".

But the fall in unemployment has occurred because of a large increase in the number of part-time jobs (up 190,000), and in the self-employed (up 79,000, and some of these may be part-timers). The number of full-time employees has continued to shrink (down 95,000). So the total number of hours of labour services being used by the economy certainly hasn't risen much during the recovery, and may well have continued to fall. (All data refer to the period from March 1993, roughly when unemployment started to fall, up to September, the latest available).

This is not evidence of a narrowing output gap. Instead, it is evidence that the market is re-distributing a roughly unchanged amount of work around a larger number of people. Labour market reforms over the past few years have probably helped achieve this. Examples include the cut in the starting rates of National Insurance contributions, and (during 1993) the abolition of the minimum wage imposed by residual wages councils. On this interpretation, the unemployment figures over-stated slack in the labour market a year ago, because there was an inappropriate mix of full- and part-time jobs. It is not the amount of slack that has fallen over the past year, but the the degree of overstatement.

There is a clear message here for the government: beware of saving cash by extending means-testing of medical and social security benefits. Means tests act like very high marginal tax rates on low-income earners, and the more they are imposed, the more damage is done to the reforms of the past decade which are finally showing their worth in today's decline in unemployment.

Giles Keating,
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Still a threat of action on power competition

From Mr Peter Rost.

Sir, It is refreshing to see your robust acknowledgement that privatising electricity as a duopoly has proved a costly error ("Littlechild's power gamble", February 14). As the energy select committee warned at the time, the resulting uncompetitive market has stimulated an excessive and premature "dash for gas", marginalised coal production and raised electricity prices for large users.

However, you come down too hard on the efforts of Professor Stephen Littlechild, the electricity regulator, to correct structural flaws. He was handed a framework for which politicians were responsible, not he. Nor was he given statutory powers to restructure the generators.

Consequently, his success in obtaining undertakings that 6,000MW of capacity will be divested, is a significant arm-twisting achievement. As you suggest, it may not be enough to develop genuine competition at the margin where it matters. But Professor Littlechild has insisted on progress reports at six monthly intervals on the disposal of plant and, significantly, he intends to review the situation towards the end of the two-year transition period.

The implied threat that, if real competition has not developed by then, further action can be expected, should not therefore be underestimated.

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Respect for determination

From Dom Serafini.

Sir, I thought that fearing the Japanese was exclusively an American characteristic. You surprise me with your "Shoot-out in the DC corral" (February 12/13) editorial.

What in effect you propose is a no-win situation. If the Americans will give up in order to save Mr Morihiro Hosokawa's job as prime minister, they will be accused of interfering with Japan's internal affairs. At the same time, and for the umpteenth time, the Americans will come back unfairly empty handed.

This is business and the Japanese will respect the Americans for it if, once and for all, the Americans will be more focused, determined and strong.

Dom Serafini,
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US

Latin American debt servicing

From Mr Joseph M Evangelisti.

Sir, In summarising the conclusions of a recent J P Morgan economic research report on Latin American debt, the Financial Times headline said "New debt crisis may hit Latin America" (February 15).

In fact, the Morgan report did not suggest that a debt crisis might reoccur, and pointed out that debt-servicing capacities of the major Latin American economies have improved substantially since the early 1980s.

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Doubtful benefits from tying UK overseas aid to exports

From Mr Martin Griffiths.

Sir, A K Goldsmith (Letters, February 14) defends the use of overseas aid to promote British exports. Three points needs to be made in the light of his assertions.

First, the Overseas Development Administration stated in its 1993 review of British aid that "the aid programme's greatest priority is reducing poverty". When ODA minister Baroness Chalker outlined the seven goals of the aid programme last year, promoting exports was not one of them.

Furthermore, only 10 per cent of MPs believe that promoting trade should be a main aim of overseas aid, an Actionaid/Gallup opinion poll showed last July. It is true that other governments tie their aid to the exports of their own goods. Yet Britain ties 70 per cent of its bilateral aid, a higher proportion than most donors.

Second, recent research contradicts Mr Goldsmith's claim that the aid and trade provision (ATP) benefits the British economy. A 1992 study by experts at the University of Bath noted that, while the ATP has created some commercial benefits, "this does not, however, imply that there has been a net economic gain to the UK". Regarding tied aid generally, the study concluded that "it is quite possible that the net economic effect on the UK has been negative, or at least quite negligible". A 1991 OECD study concurred, noting that "it is improbable that aid tying provides significant macro-economic benefits to any donor's domestic employment or balance of payments aggregates".

Third, what taxpayers want from overseas aid is that it helps to reduce poverty. An Actionaid/BMRB survey last July found that 73 per cent of the public believe the government should increase aid to tackle global environmental and development problems.

We share Mr Goldsmith's willingness to participate in a public debate on these issues. But this should take account of the needs of the world's poor rather than those of big business.

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Wednesday February 16 1994

Multimedia moguldom

Viacom's Sumner Redstone marked his victory in the $10bn battle for Paramount Communications by declaring that the combined group would become a "global media powerhouse of unparalleled proportions". Are these the extravagant remarks of an empire builder who has overpaid? The visions of a far-sighted entrepreneur? Or the unhealthy ambitions of a would-be monopolist? The answer is probably a bit of all three.

It is not hard to make the case that Viacom has overpaid. The $10bn price tag was only achieved after a fierce auction which pitted Mr Redstone *against* QVC's equally determined Barry Diller. Paramount's financial performance has been lacklustre. There is also Wall Street's verdict: Viacom's shares have tumbled since the battle began in September.

The glamour of owning a Hollywood studio is certainly part of the story. But this is not a classic case of managerial capitalism run wild. Mr Redstone is Viacom's majority shareholder, so it is largely his own fortune at risk. That also gives him the incentive to apply his undoubted drive to make the takeover pay.

Enthusiasts say the potential synergies are huge. Paramount's principal expertise is in film production. Viacom's is the ability to package and market entertainment globally. Add to these Blockbuster, the video retailer which is subject to a related $8.4bn merger with Viacom, and you have a killer combination.

Joining forces

The key is to maximise the value of each "software property" by distributing it in as many different formats, channels and markets as possible. Brands such as Paramount's Star Trek or Viacom's Beavis and Butthead can be exploited in cinemas, videos, TV programmes, video games, theme parks and upcoming multi-media formats. When packaged with other brands as cable TV channels, they can be sold from Budapest to Bombay.

Paramount and Viacom are already doing some of these things. But, say enthusiasts, they will be able to get a much bigger bang for their buck by joining forces. Booz Allen, a management consultancy group hired by Paramount, estimates earnings could rise by $280m a year.

The tale is seductive. It clearly makes sense to sell the same product in as many different ways as possible. But why is vertical integration necessary to achieve this? Wouldn't Viacom do better to pick the best software from a range of producers? Wouldn't Paramount benefit from choosing the best distributor for each market?

Integrated group

There are two answers. One is that the full benefits of marketing through multiple channels cannot be achieved by arm's-length relationships. To maximise their returns from a particular property, companies must be able to control the timing of its release in each format and co-ordinate the marketing through different channels. This is only possible with an integrated group.

Set against this is the fact that large integrated organisations have their own bureaucratic problems. Putting two businesses together within the same organisation does not guarantee successful co-operation. One only has to look at another mega-media merger, Time Warner, to see that much talked-of synergies often come to little. It remains to be seen whether Viacom-Paramount-Blockbuster will be more dynamic.

The second explanation for integration is that entertainment companies do not have the luxury to buy products or distribution channels on the open market. Hollywood has long been an oligopoly. This is because the large studios control access to cinemas. As a result, the many independent producers have little option but to deal with the big players. Now, the theory goes, this oligopolistic structure is migrating to other media. In addition to Viacom and Time Warner, there are Rupert Murdoch's News Corporation and Japan's Sony and Matsushita, which all own Hollywood studios. Commercial power comes from being within such integrated structures.

While such an oligopoly would be cause for concern, it may never emerge. New technologies are altering the economics of entertainment all along the value chain from production to distribution. Mr Redstone's empire may not last as long as he would like.

Obstacles to Mideast peace

It must be tempting for world leaders, and especially President Bill Clinton, to believe that a peace settlement in the Middle East is only a matter of time.

The portents have been undeniably positive. The Madrid conference in October 1991 brought all the warring parties to the negotiating table on the internationally agreed basis of UN security council resolutions 242 and 338, which call for Israel to withdraw from the occupied territories in return for a full peace. Then, just over five months ago, Israel and the Palestine Liberation Organisation went a step further by signing a declaration of principles, designed to chart a course towards some form of Palestinian self-determination.

The handshake between Mr Yitzhak Rabin, Israel's prime minister, and Mr Yassir Arafat, the PLO chairman, on the lawn of the White House symbolised a widespread assumption that, whatever the subsequent setbacks, the two sides had accepted that there was no alternative to a negotiated settlement.

The assumption may still be valid, but it would be dangerous for western leaders to become too persuaded by symbolism when, on the ground in the Middle East, virtually nothing has changed in the past two and a half years. The Israeli military occupation of the West Bank and Gaza Strip has not been eased, Jewish settlements continue to expand, violent clashes continue, and popular support for the peace process is being relentlessly eroded on both sides of the divide.

No 'sacred dates'

According to the agreement signed in Washington, Israel was supposed to have begun withdrawing its forces from Gaza and the West Bank town of Jericho on December 13. Not only has it felt unable to do so, but Mr Rabin has chosen to state, repeatedly, that for him there are no "sacred dates" for implementing the timetable set out in the Washington accord. He would prefer a belated implementation to an accord in which there was still room for differing interpretations, especially on any issues relating to security.

Mr Arafat, for his part, has been anxious to acquire whatever symbols he can, however minor, to demonstrate to his critics that he remains pledged to the goal of an independent Palestinian state. While progress has been made, the fundamentally different objectives of the two negotiating teams, and the deliberate ambiguities of the Washington agreement, have led to time-consuming haggling over the smallest details, such as whether the Palestinian flag at border crossing points should be fixed to a wall or flown from a pole. As both sides would acknowledge, the possibilities for further prevarication are almost endless. And with perceived prevarication comes the suspicion that one side or the other is less fully committed to the peace process than had been assumed.

Lost momentum

Those suspicions, particularly strongly felt in the occupied territories, need to be urgently checked if lost momentum is to be restored. Israel, while justifiably concerned about its security, is negotiating from a position of considerable strength. Mr Rabin, whether he intends it or not, is increasingly seen by Palestinian leaders as less enthusiastic about the Washington agreement than Mr Shimon Peres, his foreign minister, who negotiated it.

While Mr Rabin may fairly argue that it is not his role to sustain the leader of the PLO, he must also recognise that Mr Arafat was probably the only Palestinian who could have made the Washington agreement and, whatever his shortcomings, the only one who is politically capable of overseeing its implementation. Israeli leaders have only to listen to the mounting chorus of criticism faced by Mr Arafat from within the Palestinian community to appreciate how much more difficult it would be to negotiate a settlement with any likely combination of successors.

President Clinton and European leaders, having welcomed Mr Arafat to their capitals after shunning him for so long, should not repeat the mistake. Like him or loathe him, Mr Arafat is the only Palestinian leader who might currently be able to deliver the sort of Middle East peace they desire. A strong word in Mr Rabin's ear would not go amiss.

Robert Thomson and **William Dawkins** examine the effects on companies and consumers of the yen's rise

A sorry spectacle in Tokyo

The spectacle makers of Sabae, in western Japan, have their own index for foreign exchange fluctuations. At Y110 to the dollar, they are competitive in medium-quality frames, while at Y105 they must retreat to the top end of the market, and at Y100 they are making spectacles at a loss.

Sabae's scale applies to many Japanese manufacturers, which are reeling from the yen's rise on the foreign exchange markets over the past two trading days.

The yen stood at a just about acceptable Y108.30 to the dollar as Prime Minister Morihiro Hosokawa flew to Washington for a summit with President Bill Clinton on Friday. Their failure to agree on a trade accord sent the yen shooting up to Y101.9 at one point in Tokyo yesterday, to close at Y102.02 to the dollar, pushing Sabae's spectacle makers close to making a loss.

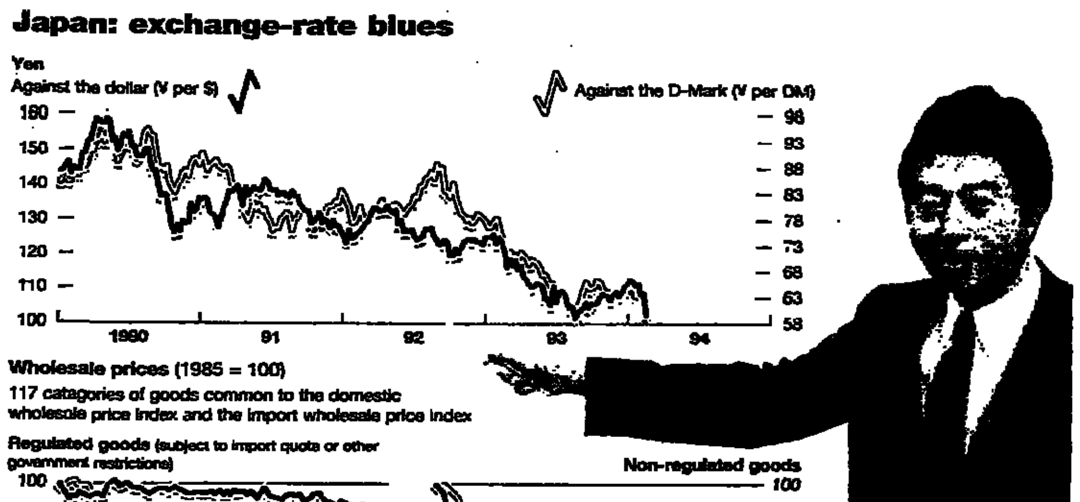
The hard evidence that the US wants to push the yen higher is thin. President Clinton did refer to "the exchange rate factor" twice at his press conference with Mr Hosokawa. But on both occasions he cited it only as one of the "objective criteria" that the US was seeking to judge progress in opening Japanese markets over a period of years.

However, the apparently non-judgmental reference to the currency was otherwise construed by the foreign exchange traders late on Friday and again by the broader markets on Monday. This prompted the Treasury on Monday to issue a statement timed for the opening of the Tokyo markets yesterday that "we do not believe in artificially manipulating exchange rates".

Nowhere in the annual report of the Council of Economic Advisers, released on Monday, is there a single word on the desired value of the yen. Indeed US officials point out that a higher yen will tend further to deflate the Japanese economy, whereas the general thrust of US policy is to encourage Japan to cut taxes and thus stimulate growth. If anything, they say, currently weak Japanese economic fundamentals ought to push the currency lower.

On the other side of the equation, the US accepts that the yen's strength has aided US car and semiconductor makers, which are gaining world market share at the expense of Japanese competitors. The Japan Automobile Manufacturers' Association says Japan will lose its position as the world's largest car producer to the US this year, for the first time since 1979.

Yen appreciation is still the big worry in Japanese boardrooms, from Sabae's small companies to Tokyo's multinationals. Nomura Research Institute estimates that the Y10 rise in the currency's rate against the dollar since early January has wiped 6 per cent off companies' average operating profits. If the yen stays this high, it could destroy corporate Japan's chance of pulling out of a four-year profits decline in 1994, warns the institute.



Japanese consumers are, of course, helped by the yen's increase – but only in the short term. A stronger yen has meant some cheaper imported goods. This, plus the slowdown in economic activity, will help wholesale prices fall by 1 per cent in the year to the end of March, forecasts indicate. This does not always show up in retail prices, because the complex distribution system, with layer-upon-layer of wholesalers and distributors, soaks up most of the benefits. Even so, Tokyo shops this winter are full of discount sales.

Over the long term, the yen's strength is encouraging two trends: the shift of production outside Japan, which has increased fears about rising unemployment and hence depressed consumer spending; and the weakening of traditionally close links between retailers and manufacturers.

Investment in China is gathering pace among manufacturers looking for cheaper east Asian production sites. China is increasingly the preferred investment site for Japanese manufacturers, as it offers an expanding home market and a relatively cheap base for exports, according to the Export-Import Bank of Japan. Japanese direct investment overseas will fall by 6.4 per cent in the year from April, but investment in east Asia has been "spurred by the abrupt appreciation" of the yen, says the bank.

A strong yen is one extra, unwanted cost for Japanese manufacturers, already attempting to cope with a long-term decline in their profitability. Falling sales at home have put pressure on companies to find new ways of hiding excess employees in affiliates.

But the common response to the profits decline, investing abroad, means that capital spending flows to, say, the northern Chinese city of Dalian, instead of the northern Japanese island of Hokkaido. New factories established in Hokkaido fell from 277 in 1989 to 170 in 1992, and only 48 were commissioned in the first half of last year.

In northern China, the statistics are more impressive. Mr Suehiro Ohba, general manager of a Japanese-run industrial park in Dalian, presided over the signing of four contracts in a week late last year. "The labour here is cheap. As long as you have control over the venture, there is not much difference in the production quality between Dalian and Japan, but there is a big difference in the cost."

The Japan Research Institute – Sumitomo Bank's research unit – estimates that over the next five years the transfer of production from Japan will cost 1.1m jobs. Most financial markets observers expect the yen's strength to ensure double-digit growth in Japan's foreign investment for the next few years.

For example, Japan's imports of audio-visual electronics were 37 per cent higher in November, compared with the same month in 1992, with most of this equipment carrying a Japanese brand-mark from the makers' east Asian factories. Japan became a net importer of televisions last year, for the first time since the second world war.

Offshore production of consumer electronics in Asia has not necessarily meant cheaper prices in Japan: the Fair Trade Commission, an anti-monopoly body, has warned makers against forming industry agreements, common until last year, to restrict discounts and cushion their margins.

However, the second main long-term effect of the higher yen – the impact on retailing – has resulted in some clearer benefits for consumers. It has spurred the development of stores operating outside the usual distribution system, which are able to pass on the savings created both by their own lower costs and by the yen's effect on imports.

In the consumer electronics industry, manufacturers rely on the loyalty of small retailers tied to their own group, through Japan's networks of cross-shareholdings and exclusive dealerships. But these mainly small corner stores are under pressure from independent retailers willing to cut prices to attract business.

A similar trend is emerging in the food and clothing industries. Mr Takashi Shirayama, of Shirayama Corporation, an Osaka-based investment company, has plans for at least five retail outlets, the first likely to open in March, which he said could undercut supermarkets by 20-30 per cent. "If you have five stores, you have more import buying power," Mr Shirayama said.

It is harder, however, to get around the reluctance of power utilities to pass on the savings from the fall in the cost of energy, most of which is imported. The utilities still calculate energy costs at rates similar to those set in 1989, when the yen was Y124 to the dollar, the currency in which oil is priced. Tokyo Electric Power and the other regional utilities reduced rates in November after complaints from consumers and pressure from the government, but the average Tokyo household is still saving only Y111 on a Y7,010 monthly electricity bill.

The result has been increasing numbers of Japanese worried that there are so few gains from a high yen. Their disappointment with derisory cuts in electricity bills may have been been offset by the attraction of cheaper holidays abroad: record crowds at Narita airport over the new year holiday were no doubt delighted with the chance of a cheap sunshine break. But on balance, the yen's rise is a further constraint on the recovery of an economy already in the grip of deflation.

Additional reporting by Jurek Martin

Flank left to fester

The west's policy on southern ex-Soviet Union republics needs rethinking, argue **Gillian Tett** and **Steve LeVine**

President Nursultan Nazarbayev of Kazakhstan had reason to feel pleased after his meeting this week with US President Bill Clinton.

In exchange for indicating a willingness to dismantle Kazakhstan's nuclear weapons, Mr Nursultan won not only a pledge of US aid worth $396m, but praise from US officials for his efforts to introduce market reforms and attract western investment.

Low down the meeting's agenda, however, was Kazakhstan's less than impressive attempts at reforming its political system, which remains dominated by an all-powerful president.

Though such diplomatic reticence may seem unremarkable, it highlights a discrepancy emerging in western policy towards the former Soviet Union. Western leaders have responded in recent months to signs that Russia or the Baltic states might be moving towards fascism. But they have largely ignored the political dictatorships that remain entrenched along Russia's sensitive southern flank.

As European institutions such as Nato expand eastwards, this omission is sending dangerous signals to the swathe of countries between Turkey and Estonia, on Europe's outer fringe.

The chief victim of this policy so far has been the Conference for Security and Co-operation in Europe – Europe's 52-nation quasi United Nations, founded in 1972 to promote political democracy and collective security between western democracies and the eastern bloc.

Two years ago, the CSCE became one of the first European institutions to welcome ex-Soviet republics into its ranks. Since then, however, most of the central Asian and Caucasian republics have acted against CSCE principles on human rights.

In Tajikistan, for example, which for the last 18 months has witnessed civil war between regional Tajik groups, ethnic cleansing and political detention have been widespread. In Transcaucasia, nationalist conflicts have produced other abuses: most recently, in October, Armenian forces expelled about 60,000 civilians from south-western Azerbaijan.

Supposedly free elections in Turkmenistan last month saw Mr Sapurmurat Niyazov elected as president until 2004 with 99.99 per cent of the vote. The regime in Uzbekistan remains similarly authoritarian. The only republic with proper opposition political parties is tiny Kyrgyzstan, on the Chinese border.

"Uzbekistan and Turkmenistan are unique in actually moving backwards to Soviet-style politics," says one western diplomat in Uzbekistan. "No one expects them to become western-style democracies overnight – but when they move backwards there can be little chance of meeting CSCE standards."

In public, at least, CSCE officials deny that the issue is undermining the institution's credibility, and say efforts are being made to explain to the central Asian states their new European CSCE commitments. "You have to look at this in an evolutionary perspective," says Mr Nils Eliasson, CSCE director, who points out that, throughout the CSCE's history, there has been a steady improvement in the human rights record of formerly authoritarian members, such as Romania.

But the CSCE's problem is that it lacks diplomatic muscle: it has no clear mechanism for expelling members. Most central Asian governments have shrugged off its protests, retorting that the west is ignoring their regional problems.

Some US officials have raised human rights concerns. But there is little co-ordinated western pressure. One reason may be western concern that political instability could unleash the region's radical Islamic opposition groups – a fear propounded in particular by Russian diplomats. Another is cultural, with many diplomats privately admitting it is unrealistic to expect the same democratic standards from the 60m Moslem central Asians as from the Russians or Balts.

The priority for central Asia now, these diplomats argue, is to avoid economic collapse. So far $10bn worth of foreign investment has been pledged to the region, according to East European Investment magazine. As that increases, western businesses are likely to have a corresponding interest in maintaining stability. Kazakhstan is believed to have as much oil as Russia, Turkmenistan is the world's fourth largest gas producer, and Uzbekistan has rich gold reserves.

But the problem with this approach, as many CSCE officials agree in private, is that it makes a mockery of the CSCE. "It is double standards – one standard of human rights for the Slavic states and the Baltics and another for central Asians," says one senior diplomat closely involved with the CSCE.

Since few people outside the diplomatic circuit have heard of the CSCE, this in itself might not seem significant. But recent suggestions that the Russian peacekeeping forces currently operating in the former Soviet Union could operate under the CSCE's mandate seem likely to throw the institution – and such contradictions – into the spotlight.

If this happens, the CSCE will have to rethink its role and mandate. In the meantime, though, the west needs to clarify its own policy towards the region, if other European institutions looking eastwards are to avoid the CSCE's dilemma.

OBSERVER

Paramount priority

■ Martin Davis may have won the battle to merge the company he chairs, Paramount Communications, with his chosen partner, Viacom. But it could prove a mixed personal victory.

Last summer, when a friendly deal was first announced, Davis, 66, was lined up to become number two to Viacom boss Sumner Redstone. The Delaware courts quickly put a stop to that cosy deal, though, forcing Davis to auction the company he has led for more than a decade to the highest bidder.

What can Davis expect now? "We really haven't crossed that bridge yet," says Frank Biondi, Viacom's number two, chief executive-designate of the merged group.

Viacom's boardroom is looking increasingly crowded. Redstone has promised to make Wayne Huinzego, head of Blockbuster, a vice-chairman, provided shareholders of the video rental group can be persuaded to back a merger. Then there's Nynex, which maybe deserves a seat at the top table after putting more than $1bn behind Redstone's bid.

It will be ironic if Davis walks away as empty-handed as Barry Diller, the former Paramount executive with whom he fell out in 1984, and the man behind the rival QVC bid for Paramount.

The last word yesterday, though, *went to Diller's QVC. Having just* lost one of the US's biggest takeover battles, it issued a statement that should serve as a model of brevity for companies everywhere: "We lost. They won. Next."

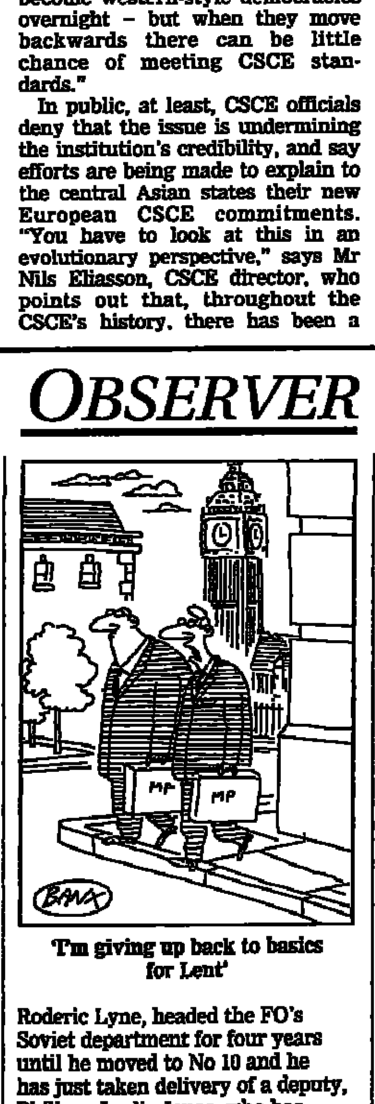
Dis-confiture

■ Snow and roadworks near Staines meant that life on London's M25 was passing even more slowly than usual yesterday when a colleague was overtaken by a van zipping past her on the hard shoulder. Before it disappeared over the horizon she was able to read the message on its rear door: "Motorway Maintenance – jam-makers since 1980."

Out of the cold

■ If John Major has difficulty finding out what is really going on in Russia, it's not for the want of specialist advice. His comparatively small press and private offices are now bulging with Russian hands, exiled from the Foreign Office.

Observer has already commented on Chris Meyer, the PM's new press secretary, who has shown his true colours by adorning his office with framed copies of Pravda, the once all-powerful organ of the Soviet Communist party. Meyer was in Moscow in the late 1960s. Major's private secretary for foreign affairs,



'I'm giving up back to basics for Lent'

Roderic Lyne, headed the FO's Soviet department for four years until he moved to No 10 and he has just taken delivery of a deputy, Philippa Leslie-Jones, who has hardly had time to shake Moscow's snow off her boots.

Another sign, perhaps, that the Thatcherite cold war between the FCO and Number 10 is finally over?

PA in a big way

■ If it was good enough for grandad, it's good enough for us, seems to be the motto of Ian and James Ivory, a couple of Old Etonian fund managers. Taking a lead from their grandfather. James Ivory, the Edinburgh-based fund managers are putting a couple of million pounds of their own money into their latest vehicle – Stewart Ivory's Ptarmigan International Capital.

James Ivory, the grandfather, founded British Assets and backed his judgment by investing the family's fortune in it, as did his son, Eric. However, the latest generation of Ivory's, who have skipped around from Ivory & Sime to Stewart Ivory via Ivory & Co, are not just following in their grandfather's footsteps. An old Ivory & Sime colleague, Ian Rushbrook (ex-East Ham Grammar), owns nearly 30 per cent of Personal Assets, a £14m investment trust, and since he took it over in 1990 it's outperformed its peer group handsomely.

A case of anything Ian can do, Ian Ivory can do better?

Knight's turn

■ Ruth Dudley Edwards' conclusion, in her history of The Economist, that "nobody ever got the last word in a debate with Andrew Knight", is spot on.

The executive chairman of News International had been asked, along with several other former editors of The Economist, to sign the frontispiece of a first edition of Edwards' history, one of several books, including an uncut first edition of Pope's Rape of the Lock from Mary Moore, which have been donated to a fund-raiser for St Anne's College, Oxford. Jeffrey Archer bangs the gavel at Middle Temple Hall on February 23.

But whereas Sir Alastair Burnet, Rupert Pennant-Rea and Bill Emmott just signed their names, the self-made millionaire has glued copies of both his reviews of Edwards' book inside the front cover.

Genially put

■ The boardroom row at Middlesex's Northwood Golf Club reminds Observer of the old tale of the husband whose wife was always beating him at golf.

Having lost his ball in the rough, he trips over a lamp. A genie dutifully appears and offers our hero three wishes – the only condition is that the wife must get double.

The golfer's first wish is to be the best player in the club. "Fine," says the genie, "but you realise this means that your wife will be twice as good?" "No problem," says the golfer. "My wife is in the ladies section, and that doesn't count."

His second wish is to be a millionaire. Once again the genie mentions the condition. The golfer explains that he loves his wife dearly so her extra wealth would be no obstacle.

"And your final wish?" asks the genie. "A mild heart attack," replies the golfer.

FINANCIAL TIMES
Wednesday February 16 1994

Yeltsin administration says orders must be cleared with Moscow

Russian troops told to defy UN

By Philip Stephens and John Lloyd in Moscow

Russian troops under United Nations command in the former Yugoslavia have been told not to obey orders given to them by their UN superiors until cleared by Moscow, according to officials in President Boris Yeltsin's administration.

At least one order had already been countermanded, they said, when Russian troops in eastern Croatia refused an order to move nearer to the front line around Sarajevo.

This emerged as Mr Yeltsin raised strong objections yesterday to the threat of air strikes against the Bosnian Serbs. He warned Nato it would not succeed in ending the conflict without full Russian agreement.

After talks in Moscow with Mr John Major, the UK prime minister, Mr Yeltsin held back from outright rejection of the Nato ultimatum to the Serbian forces besieging Sarajevo.

British officials said the Russian president was keeping open his options in the event that air strikes were launched after the Nato deadline runs out at midnight on Sunday. Mr Yeltsin has made clear he sees air strikes as a last resort.

The Russian president, who appeared angry at the precedent set by the west in issuing a unilateral military warning, told journalists at the Kremlin yesterday: "Some people are trying to resolve the issue on Bosnia without the agreement of Russia. This will not succeed."

But, in his first public comments on last week's decision, Mr Yeltsin did not demand explicitly that the UN security council pass another resolution before launching any military action. He also threw Russia's weight behind efforts to lift the siege of Sarajevo.

But he drew a distinction between air strikes called in self-defence of UN forces in Bosnia – which Moscow approved – and the wider remit of the Nato decision. He warned the West against attempting to impose a military solution to a conflict that could only be ended at the negotiating table. He added: "Russia will take part actively in talks to bring a peaceful solution . . . I am glad Mr Major supports our view on that."

A presidential spokesman said air strikes might be seen by the Russian public as a sign that last month's Partnership for Peace programme agreed by Nato and former Warsaw pact countries opened the door to US domination.

Mr Major, the first Nato leader to meet Mr Yeltsin since the air strikes ultimatum was issued, was anxious to reassure his host. He told journalists: "Before air strikes proceed on this very limited front there would need to be a reference back, under previously agreed Security Council resolutions, to the secretary-general."

Mr Major acknowledged that the search for a political settlement must involve active Russian participation. But British officials said the UK would oppose any move by Russia to force a vote in the security council on air strikes.

Guns wait, Page 2
Air strikes, Page 2
Russia and Britain 'de-target', Page 2
Flank left to fester, Page 15

Clinton blames Europe for jobs crisis

By Robert Taylor, Labour Correspondent, in London

President Bill Clinton's administration is increasingly critical in private of western Europe's failure to stimulate growth to create jobs, according to confidential documents in the possession of the Financial Times.

US economic policymakers believe European governments are wrong to concentrate on structural supply side reforms in the labour market to cut their dole queues. They also want to see a European commitment to economic expansion.

Mr Larry Summers, the US Treasury undersecretary for international affairs, warned European central bankers at a meeting in Paris of the Organisation for Economic Co-operation and Development in December that unless European nations followed more ambitious growth objectives, unemployment would not be significantly reduced by the end of the decade.

And last month in a letter to Mr Jean-Claude Paye, the OECD's director-general, Mr David Aaron, the new head of the US mission to the OECD, expressed criticism about the OECD's "lack of a positive role for macroeconomic approaches in addressing unemployment". His remarks were in response to the draft OECD paper on employment and unemployment to be published next month.

"Structural reforms are more effective in an environment of growth," argues Mr Aaron. "In the present climate of inadequate demand, reforms are more likely to be ineffectual or merely cause jobs to shift from one sector or activity to another. Indeed, some structural reforms undertaken in a climate of deficient demand would exacerbate joblessness.

"This is particularly relevant in the case of Europe where there is substantial room to reduce short-term interest rates to stimulate aggregate demand, although fiscal policy is admittedly constrained," wrote Mr Aaron. He added that the Clinton administration believes macroeconomic and structural policies to deal with unemployment "can be mutually supportive".

The US head of mission told Mr Paye he had the backing of Ms Laura Tyson, the chief White House economist.

At the December OECD meeting Mr Summers made it clear the US wanted a European macroeconomic stimulus and not just structural reforms to create employment. He said the European situation was moving "from stagflation to stagnation" casting "doubt over the European medium term economic-political strategies".

The US undersecretary wondered "if inflation could not become too low" and said it was "difficult to understand why France and Germany accepted low growth rates".

He told the bankers that Europe was making the "same mistake which the United States did at the beginning of the 1970s" and it was "exaggerating the importance of structural obstacles" to growth. "Structural reforms without macroeconomic stimulus risk leading to continuing recession," he warned.

US output grows ½%, Page 4

Abu Dhabi in talks to improve returns for BCCI creditors

By Andrew Jack in London

The government of Abu Dhabi, the majority shareholder of the collapsed Bank of Credit and Commerce International, is considering an agreement with the liquidators that would provide a greater return to hundreds of thousands of creditors around the world.

Mr Ghanim Faris Al Mazrui, chairman of the working group on BCCI for the majority shareholder, said that he wanted to see creditors receive more money to compensate them for delays in any payout since the bank was closed by regulators in July 1991.

It has also emerged that a predecessor firm of Ernst & Young, who were principal auditors to BCCI until 1986, highlighted serious concerns at the bank with audit verification, internal auditing and the need for a single worldwide auditor in 1979.

Abu Dhabi has held intense negotiations with the liquidators to BCCI in the last few weeks following the rejection by the Luxembourg appeal court last October of a previous agreement.

Abu Dhabi would prefer to reach a negotiated settlement rather than pursue lengthy legal actions against BCCI and its liquidators which could drag on for many years and sustain prolonged and politically embarrassing coverage of the case.

"We are a nation not a corporation," said Mr Mazrui. "Things have changed . . . There should be some compensation. We are flexible on that score. We like to have friends not enemies. We don't want to leave any bad feelings."

Mr Mazrui, who sat on the boards of BCCI companies from 1981, maintained Abu Dhabi's position that it was unaware of the fraud at the bank until April 1990 when Mr Swaleh Navqi, BCCI's chief executive, made the first of a series of confessions.

"I can say from now till the Day of Judgment from what I can see no one on the board knew about the fraud. We never, never suspected," he said.

A new agreement is unlikely to involve Abu Dhabi providing additional money to creditors. Instead, it is believed to be considering waiving and restructuring some of its claims.

These include a $2.2bn investment portfolio managed by BCCI which was stolen to stem losses generated within the bank, $400m in deposits from the Abu Dhabi Investment Authority and the assets of BCCI's operations in the United Arab Emirates.

Mazrui interview, Page 7
Audit doubts, Page 7
Sir Sonny had special loan, Page 7

Yeltsin health fears as speech is postponed

Continued from Page 1

Yeltsin from their own heads of state or government are often met with the response that he is out of town and unavailable.

Mr Victor Chernomyrdin, the prime minister, has partly filled the vacuum but reformists say the government has no plans for the economy, no idea of how to continue reforms and no strategic direction.

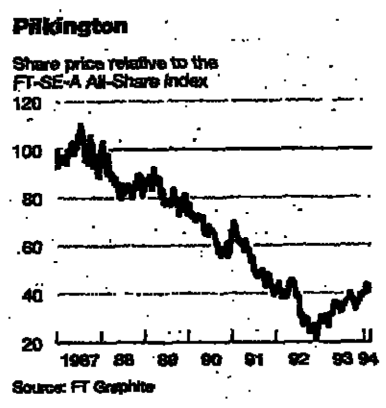
The concern about the president's health has surfaced from time to time in the past two years. Mr Yeltsin, who survived both an air and a car crash, has heart and back problems and is thought by western experts to require strong and continuous medication for pain, which cuts down his workload.

The Russian Information Agency, quoting presidential sources, said last night the state of the union address had been postponed until February 24.

THE LEX COLUMN

SIB's regulated progress

FT-SE Index: 3393.2 (+29.7)



Source: FT Graphite

The Securities and Investments Board discussion paper on equity trading is full of good questions. It would be nice if some of the answers were found in reasonably short order. Several of the issues which the document raises have been causing concern for years – including the familiar problem of controlling the derivatives markets. On several of the detailed points, action could be forthcoming. Markets could, for instance, be made more transparent by reporting information faster and allowing investors to use the professional broking market. But institutions who press for such changes risk removing the incentive for anyone to act as market makers. Greater transparency may thus reduce liquidity. The easiest changes may be the least necessary.

More serious is the widely perceived failure of the criminal law, civil action or the Financial Services Act to rein in crooks, incompetents and market manipulators. At the risk of being churlish, the fact that the SIB is consulting about these issues only throws into stark relief how slow progress has been thus far.

Given that investors have had to wait for the current review of equity trading, it is surprising that its tone is so leisurely. The debate also seems to accept that the current regulatory framework is more than adequate to deal with any problems. That view is questionable.

The government may well be reluctant to introduce new legislation to reform financial services regulation. But it does not follow that there is no need for fundamental change. The SIB devalues its arguments if it appears to hide from the more difficult problems it faces.

UK markets

It is starting to look as though last week's UK rate cut may have been justified after all. Today's retail price figures will give a better indication. But yesterday's disappointing data on industrial production and the Confederation of British Industry's lukewarm retail trends survey suggest the economy might not be in quite such a strong position to withstand April's tax increases. Yesterday's 30 point gain shows the equity market is certainly fired up by the prospect of more base rate cuts. Gilts might be too, if they were not still fretting about how the forthcoming auction will be received amid turbulence on international bond markets.

It does not help gilts that sterling is weakening further in the backwash of the dollar's fall against the yen, and on fears that German rate cuts may be further delayed. That will deter foreign investors, which may explain why the Bank of England yesterday set the amount of the auction at only £2.5bn and the maturity at the lower end of its proposed range.

Equities, of course, are helped by a falling exchange rate. The paradox is that at this stage they should be registering some disappointment at the thought that the recovery may be weaker than expected, while gilts should benefit from conditions which encourage rate cuts. If the economic data continues to point in this direction, gilts' current weakness could turn out a buying opportunity, however the auction goes.

British Airways

BA's 39 per cent increase in third quarter operating profits on turnover just 12 per cent higher demonstrates the magical effect of operational gearing in the airline world. But considering BA's shares have outperformed the market by 43 per cent over the past year, investors clearly expect nothing less. Rather less impressive is the progress further down the profit and loss account, where BA's earnings rose by just 6 per cent largely as a result of its dilutive rights issue. BA's long-term strategic investments are being bought at a short-term cost.

Qantas's seasonal strength resulted in a positive contribution from BA's collected trade investments. TAT still appears to be suffering dreadfully in the French market although Deutsche BA is cutting its losses. Still, such concerns will pale if the strong growth in BA's premium traffic continues. This resurgence has helped dispel the worst fears that high-spending passengers would not return after recession. But BA's rather disappointing yield figures suggest such traffic still has to be bought with discounts.

Although BA's shares appear temporarily to have flown ahead of reality, they must have further to travel as recovery strengthens in the UK and US. The longer term issue is what rating BA should attract as it approaches its next earnings peak. Its current premium rating should then subside to a discount given the inherent volatility of its earnings stream.

Pilkington

The partial flotation of Pilkington's Australian business will help the company's belated drive to reduce debt. Yet Pilkington may still struggle to reach its target of reducing gearing to 50 per cent by 1995, despite cutting capital expenditure and squeezing working capital hard. That suggests further disposals or partial flotations may follow.

Pilkington has encouraged Nippon Sheet Glass to take minority stakes in various operations. But the group clearly believes it can raise more from a flotation than a trade sale of a minority stake. Australian investors have certainly been taking a similarly benign view about the building materials sector's recovery prospects as their UK counterparts. Pilkington will doubtless appreciate such long-term thinking.

Viacom/Paramount

Viacom would hardly have paid such an absurd price for Paramount if it had been forced to pay the entire sum in cash. As it is, investors' willingness to accept non-voting B shares as part of the deal could see its grand epic turn into a horror movie. The terms are all the more dilutive in that B shares may need to be issued like confetti to compensate investors for Viacom's falling share price. That could upset the separate merger with Blockbuster Entertainment, which is an integral part of the overall strategy. The enlarged Viacom will have debts of $10bn, which should be easily serviced out of cash flow of around $2bn. But Blockbuster brings a disproportionate share of the cash flow and only $500m of the debt.

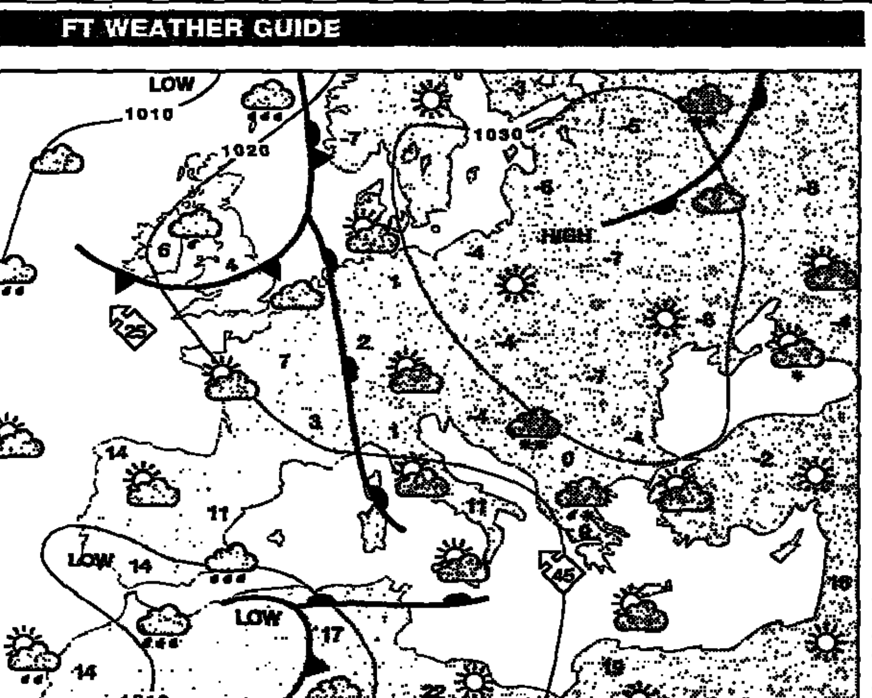
FT WEATHER GUIDE

Europe today

Southern Spain will be cloudy with outbreaks of rain. Further north, it will be dry with scattered cloud. The western Benelux will have snow flurries while the east will remain dry and rather sunny. The UK will be cloudy with rain or sleet. Germany, Poland and western Russia will be sunny. It will feel warmer as winds decrease. The Alps, France and Italy will have scattered cloud and southern Italy should have showers. The southern Balkans will stay unsettled with snow in the mountains and rain on the coast.

Five-day forecast

High pressure will again build over southern Scandinavia leading to the gradual return of cold south-easterly winds. Central and western Europe will be wintry but sunny. Temperatures during the night and early morning will range between -5C and -10C, but afternoon readings will rise to around freezing point. Spain will stay unsettled, showers dying out in the south but resuming in the north-west. It will also be showery in southern Italy and in Greece. The Balkans will have more snow.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Belfast	fair	4	Cardiff	drzzl	6	Frankfurt	sun	1	Malta	fair	17	Rio	cloudy	30
	Celsius		Belgrade	fair	-5	Chicago	sun	4	Geneva	fair	-2	Manchester	sleet	4	Riyadh	sun	24
Abu Dhabi	sun	24	Berlin	sun	0	Cologne	sun	2	Gibraltar	rain	14	Manila	cloudy	32	Rome	fair	10
Accra	fair	34	Bermuda	shower	21	D' Salaam	fair	33	Glasgow	shower	3	Melbourne	fair	20	S. Frsco	rain	14
Algiers	cloudy	18	Bogota	fair	21	Dakar	sun	23	Hamburg	sun	0	Mexico City	cloudy	21	Seoul	cloudy	5
Amsterdam	fair	2	Bombay	fair	29	Dallas	fair	18	Helsinki	fair	-4	Miami	shower	26	Singapore	cloudy	30
Athens	shower	7	Brussels	fair	3	Delhi	fair	24	Hong Kong	shower	22	Milan	fair	4	Stockholm	sun	-5
B. Aires	fair	31	Budapest	fair	-4	Dubai	sun	24	Honolulu	shower	23	Montreal	fair	-9	Strasbourg	fair	3
B.ham	rain	4	C.hagen	sun	1	Dublin	fair	6	Istanbul	snow	0	Moscow	cloudy	-2	Sydney	fair	30
Bangkok	fair	35	Cairo	sun	19	Dubrovnik	rain	7	Jersey	fair	7	Munich	sun	-5	Tangier	rain	14
Barcelona	fair	11	Cape Town	sun	28	Edinburgh	fair	4	Karachi	fair	28	Nairobi	fair	24	Tel Aviv	sun	16
Beijing	fair	4	Caracas	cloudy	28	Faro	shower	15	Kuwait	sun	25	Naples	shower	11	Tokyo	shower	7
									L. Angeles	fair	19	Nassau	rain	24	Toronto	snow	-4
									Las Palmas	fair	19	New York	fair	1	Tunis	fair	17
									Lima	cloudy	27	Nice	fair	6	Vancouver	rain	9
									Lisbon	fair	12	Nicosia	fair	15	Venice	fair	2
									London	drzzl	5	Oslo	sun	-7	Vienna	fair	-5
									Lux.bourg	sun	1	Paris	fair	7	Warsaw	sun	-4
									Lyon	fair	0	Perth	sun	35	Washington	sun	7
									Madeira	shower	18	Prague	sun	-2	Wellington	shower	23
									Madrid	cloudy	10	Rangoon	sun	34	Winnipeg	snow	-4
									Majorca	shower	14	Reykjavik	shower	1	Zurich	fair	0

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday February 16 1994

IN BRIEF

Pharma Vision out of Ciba-Geigy

Pharma Vision 2000, the Swiss pharmaceutical shares investment company, has arranged to sell its SFr410m ($283m) stake in Ciba-Geigy because it disagrees with the Basle-based group's policy to remain diversified in chemicals and pharmaceuticals. Page 18

End of an era at TV company
Mr André Rousselet will today mark the end of an era when he formally offers his resignation as chairman of Canal Plus. Page 18

KOP in the red again
Kansallis-Osake-Pankki, Finland's leading commercial bank, reported its third consecutive annual loss. Page 18

Tiphook founder to stay
Mr Robert Montague, founder of Tiphook, has been offered share options and a bonus scheme to continue working with the debt-laden UK transport leasing group as chief executive. Page 18

Petrogal process shudders to a halt
The privatisation of Petrogal, the Portuguese oil company, had high ideals. But the denationalisation process has shuddered to a halt. Page 19

Maclean rejects Rogers bid
Maclean Hunter, the Canadian publishing and broadcast group, rejected a C$2.8bn (US$2.1bn) bid by Rogers Communications. Page 20

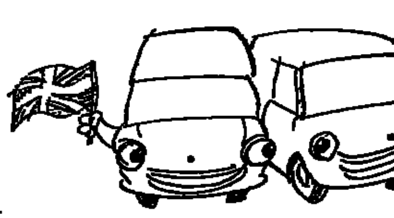
SA bank advances 12%
Standard Bank Investment Corporation, South Africa's second largest banking group, announced a 12 per cent advance in pre-tax profit. Page 19

Argyll says rivals will hit its profits
Argyll, the UK supermarket group, warned that competition would cut profits, but announced a smaller than expected underlying sales fall. Page 22

Union Discount back in the black
Union Discount, one of the City of London's leading discount houses, reported a return to profitability after two years of heavy losses. Page 23

Pilkington plans antipodean float
Pilkington, the UK glass maker, is to float a 49 per cent stake in its Australasian operations on the Australian stock exchange. Page 23

Happy vans



Leyland Daf Vans, now the largest UK-owned automotive manufacturer, will shortly announce profits which reflect both the recovery in its corporate fortunes and a limited revival of the panel van market. Page 24

Liverpool assaults the Irish Sea
Mersey Docks and Harbour, which last September acquired the Medway ports of Chatham and Sheerness to become the UK's second largest port group, made profits rise 38 per cent. Liverpool's assault on Irish Sea markets continued. Page 24

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Linde	873	+	13
Falls			
Asko	1132	-	28
Colonia Knzn Pf	880	-	30
Linotype-Hell	358	-	7.2
Volkswagen Prf	383	-	4.5
NEW YORK ($)			
Rises			
Bellsouth	56¾	+	¾
Boise Cascade	27	+	1
QVC	50	+	1½
3M	107	+	1¼
Falls			
Blockbuster	24¼	-	⅝
Rockefeller Ctr	5¾	-	⅜
PARIS (FFr)			
Rises			
Bancaire Cie	644	+	18
Cred Lyon	790	+	28
Gal Lafayette	2450	+	115
Nord Est	172	+	5.4
Soc Generale	730	+	32
Falls			
Redoute	974	-	18
TOKYO (Yen)			
Rises			
Shindengen Elec	1170	+	90
Falls			
Aoyama Trading	5850	-	400
Kyodo Shiryo	397	-	25
NTN	552	-	28
Oki Electric	590	-	29
Toa Gosei Chem	698	-	37

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Anglian Water	550	+	15
Armitage Bros	215	+	35
Bourne End	104	+	9
Division Grp.	119	+	14
East Mid.Elect.	682	+	8
GUS	602	+	19
Howard Hldgs.	29	+	4
Jermyn Invs.	285	+	102
Southern Radio	102	+	6
Std. Chartered	1301	+	36
Trans World	150	+	18
Union Discount	202	+	7
Utility Cable	32	+	3½
Wilkes (J)	182	+	17
Wimpey (G)	230	+	7
Falls			
Brit. Steel	144½	-	3
Burford	114	-	5
Tesco (J)	86	-	4
Tiphook	58	-	9
St. Modwen	57	-	3

Citicorp freed from strict watch

By Patrick Harverson in New York

Citicorp announced yesterday that federal banking authorities have agreed to end their strict regulatory supervision of the US banking group. The decision is likely to pave the way for Citicorp to reinstate its dividend, which has been suspended since late 1991.

The strict regulatory oversight – known as a "memorandum of understanding" – was imposed on Citicorp by the New York Federal Reserve and the Comptroller of the Currency in February 1992. At the time, the bank was burdened with billions of dollars of bad loans. It was one of hundreds of, mostly smaller, US banks that agreed to accept exceptionally broad surveillance by industry regulators.

Among the restrictions imposed by the special agreement, Citicorp was not allowed to make acquisitions or add to its assets without the approval of the federal authorities. Also, the bank did not declare a dividend while the agreement was in force.

Citicorp is expected to announce the first dividend payment on its common stock for two and a half years. Analysts suggest the payout could be resumed for the current quarter.

The bank will also be able to consider the possibility of expanding by acquisition. Although the group is not believed to be planning any such moves in the immediate future, Mr John Reed, Citicorp's chairman, recently told employees that capital was available for expansion.

While the lifting of the memorandum of understanding will not affect the day-to-day operations of the bank, it is a recognition that the regulators are satisfied with Citicorp's current financial position.

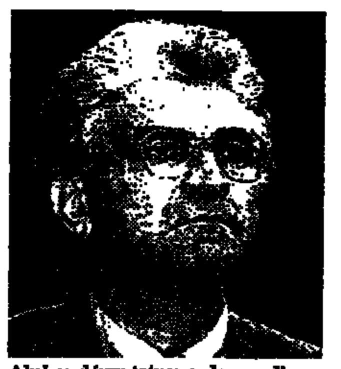
In the past two years, the bank's management has worked hard to restore its health, slashing costs, beefing up reserves, selling assets and writing off bad loans.

It has also benefited from low domestic interest rates, widening the margin between the interest it pays on its funds and the interest it earns on its loans, as well as from an improvement in the condition of the US commercial property market.

The bank is now considered well capitalised by the regulators, and last month Citicorp announced record annual profits of $2.2bn for 1993.

Yesterday's news of the end to strict supervision had little impact on Citicorp's share price, which eased $¼ to $40⅝.

Institutions to pay FFr403 a share for Elf



Alphandéry: 'strong demand'

By John Ridding in Paris

Institutional investors in the privatisation of Elf Aquitaine, the large majority of which are European, will pay FFr403 per share in the oil group, according to the French economy ministry.

The price, determined through a process of book-building, is largely in line with market expectations. It compares with FFr385 for the public issue and yesterday's closing price of FFr424.

As with the public issue, which was three times subscribed, the tranche allocated to institutional investors attracted strong demand, according to Mr Edmond Alphandéry, economy minister. The imposition of a clawback option meant, however, that the 27m Elf shares originally allocated to institutional investors were reduced by 20 per cent.

Of the institutional tranche, about 26 per cent of the shares will go to French groups and 45 per cent to other European investors. American institutions will receive about 22 per cent. Combining the institutional and the public offer, about 73 per cent of Elf's shares sold on the market will be in French hands.

The total proceeds to the state – including the market issues, the sale of shares to a group of long-term stable investors and the tranche for Elf employees – are expected to amount to about FFr35bn ($5.8bn). Mr Alphandéry said the smooth disposal of most of its 51 per cent stake in Elf, to be followed by the sale of Union des Assurances de Paris, put the government well on course to its target of FFr55bn from privatisation receipts this year.

With the exercise of the clawback option, individual investors will receive a total of 38.6m shares, although most will still be allocated less than they ordered. Applicants for between 10 and 30 shares will receive the first 10 shares ordered and some extra shares in line with the amount requested. Those applying for 30 shares, for example, will receive a minimum of 12.

Applicants for an extra tranche of shares, to be purchased through conversion of so-called Balladur bonds, a government debt issue launched last year, will receive a full allocation for the first nine shares ordered.

Threefold rise for BA as main markets pick up

By Paul Betts, Aerospace Correspondent

British Airways yesterday reported a threefold increase in third-quarter profits on the back of a recovery in first and business class traffic, and a continuing cost-cutting drive. Pre-tax profits for the three months to December 31 rose to £65m ($95.8m) from £20m. For the first nine months pre-tax profits increased by 21.5 per cent to £300m.

Although the latest financial figures confirm BA's position as one of the world's most profitable international carriers, BA shares dipped 1p to close at 473p because the figures were at the lower end of expectations.

Sir Colin Marshall, BA's chairman, said the results reflected economic improvement in the airline's two biggest markets, the UK and the US, and a recovery in premium traffic. The outlook remained encouraging, with economic recovery in several main markets enabling the airline to maintain traffic growth consistent with increases in capacity.

After making cost savings of about £450m in the last two years, the airline was on target to cut another £150m this year, Sir Colin said.

However, excess capacity in the industry continued to put pressure on scheduled passenger yields. These increased by 1.3 per cent in the third quarter because of favourable currency fluctuations. In local currency terms, the yield would have declined by 2 per cent. BA said this still reflected an improvement after a 6 per cent decline in the first quarter and a 4 per cent decline in the second quarter.

BA confirmed it was in negotiations over the future of Air Miles, its frequent flyer programme, with the other shareholder, Mills Cowdrey Management. BA, which owns 51 per cent of Air Miles, is understood to be discussing increasing its share or taking full control.

Third-quarter turnover rose 11.9 per cent to £1.54bn with 8.6 per cent more passengers and 15.6 per cent more cargo carried. For the first nine months, turnover rose 13.4 per cent to £4.83bn. Third-quarter operating profit rose 38.6 per cent higher to £97m and 31.6 per cent to £441m for the nine months. Fully diluted earnings per share rose 6.1 per cent to 5.2p in the quarter and by 0.8 per cent to 25.6p in the nine months.

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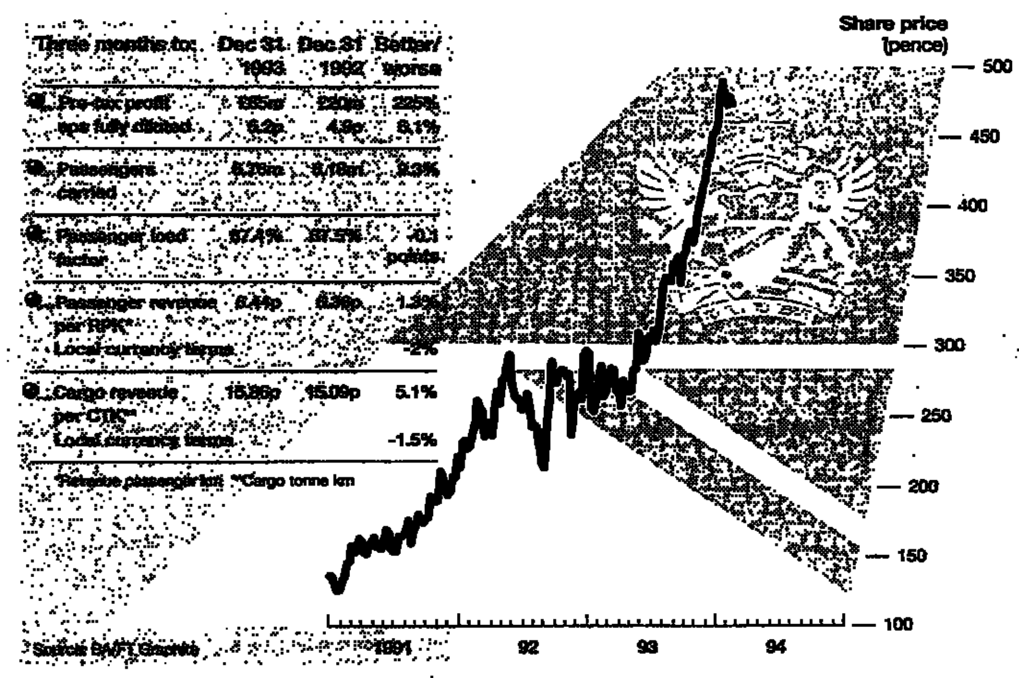
British Airways: profits up, but pressure on yields



Strike and interest costs mar Hanson

By Maggie Urry in London

First quarter results from Hanson, the Anglo-US conglomerate, appeared disappointing, with pre-tax profits falling from £236m to £173m ($255m).

However, once one-off items and a first-time contribution from Quantum Chemical, are excluded, there was underlying growth in pre-interest profits of 8 per cent. The shares were unchanged at 283½p.

Lord Hanson, chairman, reiterated recent comments made at the annual meeting, saying: "The industrial sun is beginning to rise both in the UK and US." There was no increase in the quarterly dividend of 2.85p.

Mr Martin Taylor, vice-chairman, said signs of recovery had appeared in building materials and other construction-related activities, such as Cavenham Forest Industries and Hanson Lighting in the US and the aggregates business in the US and UK. However, titanium dioxide prices had hardly improved.

Imperial Tobacco gained from the UK budget being brought forward, but this could be reversed in the second quarter when the budget used to take place.

Group turnover rose from £2.3bn to £2.89bn, including £402m from Quantum, acquired on September 30, the last day of the financial year. Lord Hanson said the integration of Quantum, bought for £2.9bn, was on track.

Profits before exceptional items and interest were £163m, down from £187m, but this was after the £67m cost of the now-settled US coal strike. A further £13m cost will fall in the second half. Quantum contributed £25m.

If exchange rates had been unchanged, the previous year's profits would have been £2m higher, Mr Taylor said.

Exceptional profits totalled £68m, up from £20m, reflecting profits on the £56m sale of the Axelson oil industry equipment business and the £90m disposal of 11 UK subsidiaries. Profits in the second quarter will come from the £110m sale of the office products business and the flotation of Beazer Homes in the UK and US.

First-quarter interest costs amounted to £58m, an £87m reversal from interest receivable of £29m. This is part of the £275m negative swing on interest expected in 1993-94, which Hanson warned shareholders about in December.

Fully diluted earnings per share fell from 3.5p to 2.5p.

Barry Riley

Adjusting to the flip-side of inflation

Almighty the dollar may have threatened to be this year, but whatever its performance against the puny European currencies it has been retreating during the past few days against a resurgent yen.

The Japanese economy, therefore, faces a renewed threat from deflation, in which prices on average show persistent declines. Officially Japanese consumer prices are still crawling up by about 1 per cent a year, but this may be deceptive, and in any case a determined attempt by the Americans to force the yen higher in order to attack the Japanese trade surplus would have negative implications for prices.

In Europe we may also have cause to watch out for a period of deflation in France. Inflation there is dipping below 2 per cent and broad money, normally regarded as providing an early warning signal, is running about 4 per cent less than a year ago. Prime minister Mr Edouard Balladur has had to cope with angry demonstrations from fishermen over seafood deflation, and the problem could spread inland.

In the UK the government has at times proclaimed the virtues of zero inflation (although its central target is for a positive inflation rate of about 2½ per cent). To achieve a long-run zero-inflation objective in a fluctuating world you would have to accept periods of *falling* prices to offset rises at other times. This was the pattern in the 19th century and in the 1920s and 1930s, when long-run stability was ensured by the gold standard.

Most of the leading bond markets have backed away in the past few weeks from the possibility of deflation. Japanese bond yields have jumped more than half a percentage point since the beginning of the year in the face of the economic stimulus package. However, even in the more buoyant economies, such as those of the US and UK, the producer price indices published in the past few days have shown that inflation is very subdued. For investors (and company executives) these are unfamiliar conditions and conventional wisdom may not represent commonsense any more.

Zero-inflation means periods of falling prices to offset rises at other times

We have seen the share prices of British supermarket chains tumbling by 30 per cent over the past year, for instance, against a buoyant stock market trend. Food price inflation used to pump liquidity into supermarket balance sheets, because customers paid at the checkouts weeks before the suppliers' invoices were settled, and premises were not depreciated because, well, property prices could only go up. But times have changed.

In the absence of a coherent system of current cost accounting, British companies have tended to apply rapid depreciation rates and high rate of return targets on new investment to counter the tendency for inflation to lead to low real rates of return. But with inflation so low, this may mean that attractive opportunities are being spurned.

In Japan the pressures are even more extreme. As Kleinwort Benson's Tokyo unit points out in its current strategy quarterly, deflation implies that Japanese companies are overdepreciating their plants. Their factories will cost *less* to replace in future and so their profits are being *understated* against a current cost yardstick. Given that depreciation is in present depressed circumstances much greater than residual net profits in Japan this is an important point.

However, another question to be asked in the context of a rising yen is whether it will *ever* be economically worthwhile to replace many of the factories in Japan.

A further cut in Japanese short-term interest rates, at present just over 2 per cent, would be a logical response to a renewed upsurge in the yen. The idea would be to discourage saving and encourage spending.

The curse of deflation, however, is that the *real* interest rate may remain quite high even though the *nominal* interest rate is little more than zero. Long wave theorists postulate that Japan is directly in the path of the kind of depression that plagued the US and Europe 60 years ago. In the UK, for instance, the cost of living was falling at about 5 per cent a year in the early 1930s so if you had money to spend it made sense to wait until prices came down.

Japanese consumers of American goods may feel that there is no hurry to buy.

Pharma Vision sells its stake in Ciba-Geigy

By Ian Rodger in Zurich

Pharma Vision 2000, the Swiss pharmaceutical shares investment company, has arranged to sell its SFr410m ($283m) stake in Ciba-Geigy because it disagrees with the Basle-based group's policy to remain diversified in chemicals and pharmaceuticals.

This decision could have some impact on Ciba shares in the next few days. Moves by Pharma Vision and other investment vehicles controlled by Mr Martin Ebner's BZ Bank group are closely watched in Swiss equity markets.

Two weeks ago, BK Vision, another investment company controlled by Mr Ebner and his associates, revealed it was running down its stake in CS Holding, the financial group built around Credit Suisse. Since then, CS shares have been significantly weaker than the Swiss banking sector as a whole.

Mr Christoph Blocher, chairman of Pharma Vision, said in his annual statement that the company reduced its Ciba holding last year because Ciba was "sticking to its strategy of diversification rather than focusing on the pharmaceutical sector".

The Pharma Vision annual report showed that most of the remaining holding had been shifted from registered shares to the more liquid bearer shares. And Mr Ebner revealed yesterday that BZ Bank had recently placed 400,000 call options on Ciba bearer shares which would provide for the sale of these shares later this year. The disposal of the Ciba stake would leave Pharma Vision holding only securities of Roche, another large Swiss pharmaceutical group. At the end of last year, its investments in Roche shares were worth SFr3.1bn.

Mr Ebner said Pharma Vision was aiming to buy large stakes in one or two non-Swiss pharmaceutical groups over the next few months. In preparation, it was raising SFr530m in a 1-for-5 rights issue at SFr4,250 per bearer share and SFr850 per registered share. This was in addition to SFr310.8m raised from a rights issue last September.

Sip forecasts profits improvement for 1993

By Haig Simonian in Milan

Sip, Italy's state-controlled telecommunications utility, expects to announce "clearly better" profits for 1993, according to Mr Ernesto Pascale, chairman.

In a letter to shareholders, Mr Pascale forecast that, based on preliminary figures, Sip's 1993 net earnings should be higher than the L486.4bn ($288m) made in 1992. The group's official results should be released in early April.

Mr Pascale made no dividend forecast but implied Sip's payout could go up.

The likelihood of higher profits, in spite of the recession, has been raised by changes to Sip's heavy investment policy of recent years. The company said its cash needs in 1993 had been lower than the previous year. Moreover, a higher proportion of investment spending had been met by internal cash flow than in 1992, he added. As a result, Sip's net indebtedness at the end of last year was lower than the L23,283bn reported on December 31 1992.

The letter to shareholders gave no indication of revenues from Sip's highly lucrative cellular communications services, now the third biggest in Europe in subscribers. Mr Pascale said Sip viewed the entry of a second mobile communications operator "with great serenity". The impending onset of competition in the group's hitherto monopoly would help to expand overall demand, he predicted.

Tiphook founder offered share deal

By Andrew Bolger in London

Mr Robert Montague, controversial founder of Tiphook, has been offered share options and a bonus scheme to continue working with the debt-laden UK transport leasing group as chief executive.

The shares fell 9p to 58p yesterday after Tiphook revealed interim pre-tax losses of £180m ($277m) and warned that its survival was dependent on the successful disposal of the group's largest asset. Tiphook, which has debts of £1.1bn, has agreed to sell its container business to Transamerica, the US financial services group, for a minimum of £690m.

Mr Montague, 46, was on a base salary of £816,000 as executive chairman, but will receive only £200,000 in his new role. Partly to compensate for this drop, he will be granted an option over 2m ordinary shares at an exercise price of 20p per share, and a further option over 500,000 shares at 65p per share.

Mr Montague will receive an annual bonus of 1 per cent of the group's pre-tax profits, subject to an agreed aggregate total of £250,000 during the next five years. To compensate for signing a five-year agreement not to compete with Transamerica in containers, he will be paid £250,000 after 18 months.

In the US, Tiphook bond prices rose after the market responded favourably to Tiphook's plan to use part of the sale proceeds to repurchase at par 40 per cent of the $700m in US bonds issued by the group. It is the target of litigation by the bondholders, who claim they were misled by over-confident assertions about the company's prospects.

Touche Ross, the group's accountants, did not audit the figures for the six months to October 31, which it said had been prepared on a going concern basis. The pre-tax loss was principally caused by £117m in exceptional costs and write-offs.

Uncertain future, Page 22

Grand patron exits from boardroom drama

André Rousselet's resignation from Canal Plus ends an era, writes Alice Rawsthorn

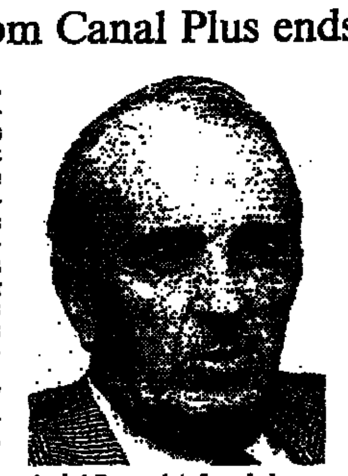
Mr André Rousselet will today mark the end of an era when he formally offers his resignation as chairman of Canal Plus, the dynamic French television company that he founded 10 years ago, to a board meeting at its modernist headquarters beside the River Seine in Paris.

Last Thursday afternoon, Mr Rousselet, 72, attended another board meeting at Havas, the powerful leisure group where he was once chairman and which is the largest shareholder in Canal Plus. He stormed out of that meeting to announce his resignation from Havas's board in protest against its decision to merge its Canal Plus stake with those of Générale des Eaux, the French utilities group, and Société Générale, the bank.

However, the sub-plot to the boardroom drama, and the real reason for Mr Rousselet's departure, is his long-running feud with France Telecom, which has for years been trying to use Canal Plus as a pawn in its own media strategy. France Telecom plans to take a minority stake in Havas thereby posing a serious threat to Mr Rousselet's vision of Canal Plus as an independent force in European media arena.

Canal Plus faces the challenge of trying to repair its relationship with its largest shareholders at a critical time when profits are under pressure and it is renegotiating its franchise with the French government. The next few months will be decisive in determining whether it can cling on to its independence and fulfil its international aspirations – without Mr Rousselet.

Mr Rousselet is a *grand patron* who had complete control over his company. His charm is legendary – as is his temper. He has considerable political clout thanks to Mr François Mitterrand, the socialist president who is a close friend and regular golfing partner. The success of Canal Plus's original pay-TV channel enabled Mr Rousselet to turn the company into a stock market star and to establish himself as a force on the European media scene.



André Rousselet: founded Canal Plus 10 years ago

His chosen successor is Mr Pierre Lescure, 48, a former radio reporter who is Canal Plus's chief executive. He has for some time been regarded as Mr Rousselet's heir apparent and has a high profile in French media circles: not least as a former boyfriend of the actress, Ms Cathérine Deneuve. If the board backs his candidature Mr Lescure will today be endorsed as chairman and will then have to get to grips with Canal Plus's problems.

At the top of the new chairman's agenda will be the negotiations for Canal Plus's new pay-TV franchise. The existing franchise, which expires at the end of the year, was agreed before Canal Plus's launch when no one, not even Mr Rousselet, realised how successful it would be. The new agreement will undoubtedly be more onerous particularly in the level of Canal Plus's support for France's heavily loss-making cable television network.

The government is pressing Canal Plus to invest about FFr450m ($76.3m) in cable TV. The company has argued that it can not afford such a heavy investment at a time when profits are declining. It has warned of a fall in net profits to about FFr1bn for 1994 from FFr1.2bn in 1993.

Yet Canal Plus's room for manoeuvre in the negotiations could be constrained by the extended power of its main shareholders. Last week's deal means that Havas, Générale des Eaux and Société Générale collectively control 48.7 per cent of the company thereby scuppering Mr Rousselet's old divide-and-rule approach to investor relations.

Générale des Eaux has substantial investments in French cable: as has France Telecom, which is about to take a minority stake in Havas thereby becoming its main multimedia partner.

These companies might prefer Canal Plus to comply with the government by increasing its support for the cable system.

Similarly, France Telecom seems set to exert more influence over Canal Plus's choice of technology. It has repeatedly clashed with Mr Rousselet over his insistence that Canal Plus should be free to choose its own satellite and decoding technology. His departure, coupled with the extension of Havas's influence through the formation of the concert party, clears the way for France Telecom to have a direct say in Canal Plus's future.

This raises the risk that Canal Plus will, as Mr Rousselet feared, be relegated to a junior role as a bit-part player in the multimedia strategies of Havas, France Telecom and Générale des Eaux rather than defining its own niche in the international market place.

Mr Rousselet had attempted to avert such a scenario by bringing international investors into Canal Plus thereby curbing the power of its French shareholders. He is believed to have held talks with Time Warner, the US media group. But his plan was thwarted last Thursday by the creation of the Havas concert party.

Kop posts third consecutive loss

By Christopher Brown-Humes in Stockholm

Kansallis-Osake-Pankki, Finland's leading commercial bank, reported its third consecutive annual loss yesterday and said it was set to remain in the red in 1994.

However, it said it was past the worst of its difficulties and should be back in profit next year.

The 1993 pre-tax deficit fell to FM2.66bn ($484m) from FM3.66bn a year earlier due to higher income and a drop in lending write-offs. The group would have met its target of halving the 1992 loss but for a FM900m provision to cover future risks in the Finnish corporate sector.

Mr Pertti Voutilainen, Kop chief executive, warned there would be no instant improvement in the bank's figures in 1994 because bad loan volumes were still high. "This year we cannot realistically expect a return to profitability, but the situation is much more under control than last year," he stated.

The 1993 performance benefited from a 21 per cent increase in income to FM4.89bn and a 32 per cent drop in credit losses to FM2.91bn.

Huhtamaki gains 27% to FM506m

By Hugh Carnegy in Stockholm

Huhtamaki, the Finnish group whose interests range from chewing gum to contraceptives, yesterday reported a 27 per cent increase in pre-tax profits to FM506m ($92m) in 1993, from FM399 in 1992.

The improvement was driven by a 64 per cent increase in earnings by the Leiras pharmaceuticals division which returned operating profits of FM243m, helping to offset a 34 per cent slump in operating profits by the Leaf confectionery business to FM207m. Overall group sales rose 21 per cent to FM7.93bn, helped by the continued fall during 1993 in the value of the Finnish markka.

Mr Timo Peltola, chief executive, said the pattern of 1993 would shift this year as a recovery in profitability at Leaf, the world's 10th-largest confectionery company, was balanced by slower earnings growth for Leiras which would be held back by clinical trials.

Philips buys Grundig paper for DM250m

By Ronald van de Krol in Amsterdam

Philips, the Dutch electronics group, is to spend DM250m ($147m) on buying up convertible securities in Grundig, its 31.6 per cent-owned German consumer electronics company, from a consortium of German and Swiss banks.

The transaction, expected on March 14, follows a decision by the three banks – Dresdner Bank, Bayerische Vereinsbank and Union Bank of Switzerland – to exercise their 10-year-old option to sell the securities to Philips.

Philips said it had no immediate wish to convert the securities into ordinary shares, which would raise its stake in Grundig to just over 50 per cent.

Instead, the group is negotiating with Grundig and the Grundig family foundation to extend the life of the securities.

The convertible debentures currently carry a coupon of 9 per cent, but if the negotiations are successful, this level is expected to be lowered to bring the coupon more into line with prevailing interest rates.

Although Philips owns less than one-third of Grundig's ordinary shares, it already has complete management control over the company and fully consolidates the Grundig results in its own accounts.

Continued losses at Grundig, which is currently undergoing a restructuring programme, have helped keep the results of Philips' consumer electronics division in the red.

INTERNATIONAL COMPANIES AND FINANCE

Standard Bank advances 12% as asset base grows

By Matthew Curtin in Johannesburg

Standard Bank Investment Corporation, South Africa's second largest banking group, yesterday announced a 12 per cent advance in pre-tax profit to R1.23bn ($357m) in the year to end-December from R1.09bn in 1992.

The group shrugged off harsh domestic trading conditions through the benefits of continued growth in its asset base, good contributions from its UK and African banking operations, as well as a reduction in its effective tax rate and a R62.5m tax credit which flattered the bottom line.

Distributable income jumped by one-third to R844.4m from R637.5m but was diluted by a larger number of shares in issue to the equivalent of 696 cents a share, 17 per cent better than the previous year's 593 cents. A total dividend of 219 cents was declared, against 187 cents.

The group's asset base rose to R62.7bn from R58bn, including a sharp rise in its home loan portfolio, up 33 per cent to R16.2m, as well as increases in UK and African assets and the contribution from rights issue proceeds.

Mr Harry Shaw, general manager of financial services, said four years of domestic recession had taken its toll on new demand for credit and led to increasing bad debts, which worsened to 0.83 per cent from 0.73 per cent of advances. The level of bad debts, up at R477m from R380.5m, was "uncomfortably high".

Net interest income rose by nearly one-fifth to R3.1bn from R2.62bn before the increase in debt provisions, higher operating expenses and a flat R467m tax bill left after-tax profit, before the one-off tax credit, 32 per cent higher at R759m against R622.9m.

Mr Shaw said the group was budgeting for improved earnings in 1994 but the rate of increase would slow, with improvements in trading conditions as dependent on politics as the economy.

Petrogal privatisation shudders to a standstill

The Portuguese oil group desperately needs an injection of fresh capital, writes Peter Wise

The privatisation of Petrogal, the Portuguese oil company, had high ideals. It was to provide the country's biggest commercial enterprise with entrepreneurial management and fresh capital to compete with world players in a rapidly deregulating market.

But the denationalisation process has shuddered to a halt less than two years after it began without a representative from a private shareholder on the executive board and the company in desperate need of capital to ease a debt burden fast approaching Es330bn ($1.88bn).

Private shareholders who bought 25 per cent of the company in July 1992 were expected to take up an option to purchase a further 26 per cent of the equity by March 1993. But they have held back, contesting valuations of the stock and apparently unable to raise the necessary cash. Recently, the group threatened to pull out of the company altogether if the terms of the privatisation were not rewritten.

Unless the private shareholders, dominated by Total, the French oil company, commit themselves to buying the additional 26 per cent, to be used to increase Petrogal's capital, the government also refuses to inject fresh money. The result is a damaging stalemate that contributed to a net loss of Es16bn last year, despite an operating profit, as debt servicing costs rose to Es26bn. Total owns 48 per cent of the capital in private hands.

"We urgently need fresh capital to reduce our heavy debt burden," said a Petrogal executive. "Our debt to equity ratio is 4.2. This is clearly abysmal when compared to a company such as Elf Aquitaine of France which has a ratio of 0.48 or British Petroleum which has a ratio of 0.8." However, the company hopes to reduce the debt to equity ratio to below 3 this year.

Given the reluctance of either private or state shareholders to provide fresh capital, Petrogal's government-appointed management has turned to the money market to raise what cash it can. It recently raised Es25bn through an issue of participation titles, a bond and equity hybrid, and plans to issue commercial paper worth Es20bn and Es30bn in March and April.

'Petrogal faces important challenges from maintaining its share of a liberalised market to completing investments in modernisation to internationalisation.'

The commercial paper issues will be in escudos to help reduce the foreign exchange exposure of the debt, half of which is in foreign currencies. This year Petrogal hopes to eliminate foreign exchange losses that cost the company Es10bn in 1993. Some Es270bn of Petrogal's accumulated debt is placed with banks.

Despite these efforts, executives estimate that the company needs a further capital injection of Es50bn to Es60bn this year to reduce indebtedness and prevent financial costs from eating away profits. No decision has been taken on how to raise the money.

But an option the government may have to consider is a renegotiation of the privatisation process that would bring new private shareholders into the company, even if they were not immediately given voting rights.

Petrogal's private shareholders, grouped together in the holding company Petrocontrol, have until July 1995 to acquire the additional 26 per cent before a penalty clause requires them to forfeit 6 of the 25 per cent they already own.

They were expected to take up the option on the outstanding 26 per cent by March 1993 because from that date the price of the equity began to climb, according to an index taken from Portuguese public debt rates. What would have cost Petrocontrol Es41bn will now cost Es47bn and the price is rising all the time.

"The logical moment for Petrocontrol to buy the additional equity and take over control of the company was in March 1993," said one market analyst. "Their failure to make a move then shows that they either don't want a majority holding in Petrogal or that they can't afford it."

In addition to the stalemate over raising more capital, the course Petrogal's privatisation has taken could raise further problems. Portuguese law prohibits foreign investors from directly or indirectly holding a majority of the company's privately-owned capital. Total holds only 48 per cent of Petrocontrol directly. But another company, Petromadeira, has subsequently acquired 25 per cent of Petrocontrol, reportedly using a financing guarantee from Total to do so.

"Petrogal faces important challenges from maintaining its share of a liberalised market to completing investments in modernisation to internationalisation," said Mr Jose Viana Baptista, Petrogal president. "The sooner we can resolve the issues of privatisation and capital the more successful we will be in meeting these challenges."

IBJ Securities to lead domestic Nissan issue

By Emiko Terazono in Tokyo

Nissan Motor, the Japanese carmaker, has appointed IBJ Securities, the securities affiliate of Industrial Bank of Japan, to lead manage the placement of domestic straight bonds worth Y20bn ($192m).

The issue, one of three tranches totalling Y60bn, will be the first led by a securities house affiliated to a bank, established last year, when Japan's ministry of finance partially eased barriers between the banking and securities industries.

While Nissan said it had chosen IBJ from its past underwriting record and information gathering ability, it has designated Nikko Securities and Yamaichi Securities to lead manage the other two tranches to "hedge risks".

Japanese companies have traditionally divided their financing into small lots to maintain favourable relationships with several securities houses. Although foreign houses point out such practices hamper cost efficient fund raising, companies have not been able to break away from the relationship based financing.

Nissan hopes to launch the issues in late February or early March. IBJ's tranche will have a maturity of five to six years, Nikko's Y20bn is expected to have a six or seven-year maturity, while Yamaichi's issue a four-year maturity.

Since it was set up in July last year, IBJ has lead managed two samurai issues and managed 17 domestic straight bond issues, while participating in six underwriting syndicates.

Lower tax bill lifts Westfield

By Nikki Tait in Sydney

Westfield Holdings, the Australian property group and shopping centre operator which this month purchased a 40 per cent interest in Centremark Properties in the US for US$185m, reported a fall in pre-tax operating profits, to A$20m (US$14.2m) from A$24.4m, in the six months to end-December.

However, a substantially lower tax charge of A$5.72m, against A$11.2m, and an abnormal surplus of A$3.94m, against A$2.41m, left profits after tax up by almost 16 per cent, at A$18m.

Mining boost

North Broken Hill Peko, the diversified Australian mining group, is to accelerate underground mine production at its Northparkes gold and copper project, which it is developing in conjunction with the Sumitomo group of companies.

The development will enable process plant production capacity to rise from 45,000 tonnes a year of copper contained in concentrate to 65,000 tonnes.

Alcan cutback

Alcan Australia became the latest in a series of Australian-based aluminium producers to announce production cutbacks yesterday. It said that it would temporarily reduce output at its Kurri Kurri smelter in New South Wales by 10 per cent.

Bangkok Land up 8% in quarter

By William Barnes in Bangkok

Bangkok Land, Thailand's largest property developer, reported an 8.5 per cent rise in third-quarter consolidated net profits to Bt1.35bn ($53m), which was roughly in line with brokers' expectations.

Analysts are particularly keen to examine the balance sheet, which should be available within the next few days, for evidence that property buyers are paying promised cash instalments which could show that the company's core project, the huge Muang Thong Thani new town project on the outskirts of Bangkok, is viable.

Firm signs that potentially crippling accounts receivables are being honoured could bolster the chances of Bangkok Land completing a planned $600m Euroconvertible. The proposed issue – which would be Thailand's largest – would fund the construction of an elevated urban railway for Bangkok.

Nine-month consolidated net profits rose 21 per cent to Bt4.26bn. Earnings per share improved 8.7 per cent to Bt2.26 in the third quarter and rose 21 per cent at Bt7.11 for the nine months.

● TPI Polene, the cement and plastics maker, reported net income down 34 per cent in the first quarter to Bt287m. Brokers, however, say that foreign exchange gains of Bt346m inflated the first quarter 1993 figures resulting in the year-on-year drop.

Rhône-Poulenc sells unit to NZ group

Salmond Smith Biolab (SSB), of New Zealand, said it had agreed with Rhône-Poulenc Australia, a unit of the French Rhône-Poulenc chemicals and pharmaceuticals group, to buy the Australian and New Zealand business of Rhône Poulenc Laboratory Products Australia for an undisclosed sum, Reuter reports from Wellington.

Rhône-Poulenc Laboratory Products is a specialist marketing agency for laboratory chemicals and plasticware and scientific instruments with annual sales of more than NZ$6m (US$3.4m).

Salmond Smith said the acquisition would be effective from March 1 pending due diligence and the gaining of regulatory consent. The New Zealand company said the purchase was consistent with its focus on being an international food company. The Rhône-Poulenc company's operations mirrored SSB's scientific group's activities.

SSB's scientific group had sales of over $33m in the year ending June 1993 and the company said the purchase would give impetus to its moves to increase market share in Australia and New Zealand.

Maclean Hunter rejects C$2.8bn takeover bid

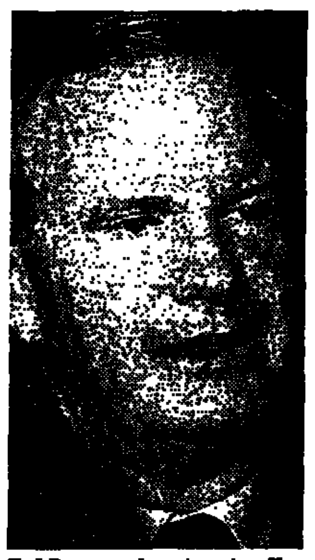
By Bernard Simon in Toronto

Maclean Hunter, the Canadian publishing and broadcast group, yesterday rejected a C$2.8bn (US$2.1bn) takeover bid by Rogers Communications. It described the bid as inadequate and an attempt to circumvent a shareholder rights plan.

Instead, MH vowed to pursue "all reasonable alternatives to maximise shareholder value".

Whether Rogers succeeds or fails, it seems likely to precipitate a heavy restructuring of the 108-year-old Toronto-based company.

Should Rogers prevail, Mr Ted Rogers, chief executive and controlling shareholder, has outlined plans to spin off MH's publishing interests into its newspaper subsidiary, Toronto Sun Publishing.



Ted Rogers: plans to spin off MH publishing if bid prevails

The alternatives being considered by MH also entail significant changes. They include a recapitalisation designed to put cash into shareholders' pockets.

Mr Robert Furse, chief financial officer, said yesterday this might take the form of a special dividend or a share buyback. Other options include selling or spinning off all or part of its Canadian cable-TV operations, and alliances with third parties.

MH has already put its US cable-TV franchises in Michigan, New Jersey and Florida up for sale. These businesses contributed 70 per cent of its 1993 earnings.

Rogers, whose interests centre on cable-TV and telecommunications, has offered C$17 per MH share plus "participation rights" in proceeds from MH's US cable business, provided these assets realise more than C$1.5bn after expenses.

MH said yesterday the terms of these participation rights did not give Rogers "a significant incentive to maximise the sale proceeds for the benefit of MH shareholders". MH also said money from the sale could be paid out directly to its shareholders in a more tax-efficient way.

MH reiterated that its shareholder rights plan, set up five years ago, was not designed to prevent a takeover.

However, it said Rogers' offer "attempts to coerce the shareholders and board of MH to take the very action which the [plan] was intended to prevent – that is, accepting an inadequate bid in a short period of time and without the ability to seek other alternatives over a reasonable time frame".

Rogers has yet to respond. Mr Rogers insisted last week the company would not raise its offer.

Restructure planned at Boise Cascade

By Bernard Simon

Boise Cascade is the latest North American forest products company to restructure, with a plan to spin off the bulk of its newsprint and uncoated groundwood paper business to its Canadian subsidiary.

The wholly-owned Canadian unit will also be given greater autonomy, including the ability to fund its own capital needs. A recapitalisation and a sale of equity to outsiders are being considered.

Idaho-based Boise said it would now concentrate on its white paper, containerboard, building products and office products distribution businesses.

Proceeds from the deal with the Canadian subsidiary will be used to reduce debt and for general corporate purposes.

Terms of the spin-off have yet to be settled, but the enlarged Canadian company is expected to have annual sales of about US$350m.

The main addition will be a pulp and paper mill in West Tacoma, Washington, which produces up to 190,000 tons of recycled-content newsprint a year.

The Canadian company will also take over the marketing of up to 420,000 tons of newsprint a year produced at Boise's big wood-products complex in DeRidder, Louisiana.

Boise Cascade Canada operates two pulp and paper mills in Ontario, one of which is being expanded to include a recycling facility.

IBM in Unisys chip deal

By Louise Kehoe in San Francisco

International Business Machines is to make semiconductor chips for Unisys, its long-time rival. The chips will be used in a new generation of Unisys mainframe computers.

IBM will manufacture the chips, designed by Unisys, at its plant in Burlington, Vermont. It has been seeking new customers for its chip manufacturing business to leverage its investments in semiconductor production.

The agreement signals the completion of Unisys's switch from older bipolar semiconductor technology to cheaper advanced complementary metal oxide semiconductor (CMOS) chips for use in its mainframe computers. IBM is also converting its mainframe products to CMOS.

CMOS is the standard semiconductor technology used in personal computers and workstations. Until recently, however, it has lacked the speed and density of the bipolar technology used in mainframe computers. CMOS is now catching up with bipolar speeds.

Recovery continues at The Equitable

By Patrick Harverson in New York

US insurer The Equitable yesterday reported fourth-quarter net income of $83.9m. The result showed further recovery from heavy losses in previous years, incurred on soured property and junk bond investments.

In the same quarter a year ago, the company, which is 49 per cent-owned by the French insurance group Axa, reported a loss of $28.9m.

The strong final quarter took The Equitable's full-year profits to $234.5m, compared with a $128.6m loss in 1992.

The key to its recent successes has been the improvement in core insurance business. Excluding the impact of investment gains and restructuring charges, the insurance operations earned $116.9m last year, up from operating earnings of $46.9m in 1992.

The company said aggressive cost-reduction, and a lowering of crediting rates – made possible by the low interest rate environment – were the main factors in the turnround. They helped offset higher-than-expected mortality rates in the second half of the year.

Mr Joseph Melone, president of The Equitable's Life Assurance Society, singled out the success of the company's targeted insurance products. During the year, 94.5 per cent of new sales came from these lines, he said.

The Equitable's investment services operations contributed operating profits of $235.9m during the year, thanks to record earnings at Donaldson, Lufkin & Jenrette, the Wall Street brokerage unit. Solid growth at its Alliance Capital money management firm has helped.

On the investment side, the income yield on The Equitable's main general account portfolio rose from 7.46 per cent to 7.64 per cent last year.

The increase was attributed to improved returns on property and equity holdings, and a shift of cash and other short-term assets to longer-term bonds offering higher yields.

Cigna warns on cost of LA earthquake

By Richard Waters in New York

Cigna, the US insurer, reported a fall in after-tax profits last year as it took a $244m charge to cover asbestos and environmental costs. It also restructured its property and casualty operations.

The company said it would report after-tax losses of $60m in the current quarter, due to the Californian earthquake, and $25m attributable to the severe weather in the US.

However, Mr Wilson Taylor, chief executive, said the restructuring on the property and casualty side, which led to a $107m after-tax charge, would lead to improved results in the future.

Net income for the year fell to $234m, or $3.25 a share, from $311m, or $4.34, in 1992. In the final three months of 1993, net income jumped to $194m from $50mm, boosted by after-tax realised investment gains of $102m, compared with $19m in the 1992 quarter. Operating income in Cigna's life and health insurance businesses was up 42 per cent for the year, to $464m.

Assembling an entertainment monster

Blockbuster investors hold the key to the success of the Viacom-Paramount merger, writes Richard Waters

After all the fighting, was it worth it? The merger of Viacom, Paramount Communications and – provided it goes ahead – Blockbuster Entertainment will create a monster in the entertainment industry.

However, digesting the beast poses significant financial and management challenges. Viacom's management, having just fought a five-month war for control of Paramount, must now gird itself for the struggle to persuade Blockbuster shareholders to join the group.

On paper, although the Paramount takeover involves more than $5bn of new debt, the financial structure created by a three-way merger would be more robust than many of the debt-financed takeovers of the 1980s.

The combined group would have total debts of around $10bn. Analysts put the costs of paying interest and servicing preference share capital at around $600m, although Mr Frank Biondi, Viacom chief executive, says it will be closer to $500m-$550m after the group has refinanced some of its existing debt.

The cashflow generated by its combined operations is variously estimated at between $1.5bn and $2bn a year – a comfortable multiple of the group's annual debt servicing costs.

Without Blockbuster, though, this debt burden would look much more onerous. Whatever strategic arguments were made for its inclusion, the video rental group was brought into the merger mainly to provide an extra cushion of financial stability.

It has only some $500m of debt, and would provide around a third of the combined group's operating cashflow.

Blockbuster shareholders may yet reject the deal, which comes up for approval in the second quarter of the year. They have been offered mainly Viacom class B non-voting shares, a currency which is also being used to finance a large part of the Paramount bid.

These shares have plummeted in recent weeks, touching $28¾ yesterday, down from a high of over $60 last summer. Blockbuster has already agreed to pay $55 each for a large block of these shares, providing $1.24bn to back Viacom's bid for Paramount.

To ease concerns about the value of its B shares, Viacom has offered a degree of underpinning for both the Paramount and Blockbuster bids.

Under these so-called contingent value rights, it would issue extra securities to Paramount and Blockbuster shareholders if the B shares remained at a depressed level.

However, the extent of the underpinning is limited in both cases. It would also involve the issue of even more B shares, further reducing their value.

These considerations have depressed Blockbuster's own share price. If the video rental chain's shareholders now reject the deal, it will leave the merged Viacom/Paramount with considerably less financial flexibility to invest in future development than Mr Redstone had planned.

The extended slide in Viacom's B shares, although exacerbated by the prospect of more shares being issued under the contingent value rights, has been driven mainly by a concern that Paramount will dilute Viacom's earnings.

Both Viacom and Blockbuster have been rated high-growth companies by the stock market, and traded at multiples of around 16 and 14 times cashflow respectively last summer.

Paramount, by contrast, was accorded a rating of 10 times cashflow before the bidding war started, marking a belief that it remains a company with low growth prospects.

If the combined group trades at the same valuation level as Time Warner and Walt Disney – the two entertainment groups to which it is most similar – it would carry a multiple of around 11.5, according to analysts at S. G. Warburg.

The main loser so far has been Mr Redstone. With around three-quarters of the Viacom B shares currently in issue, he has seen the paper value of his investments slashed in recent months.

Mr Redstone also owns some 85 per cent of Viacom's class A voting shares, which have seen their market value tumble to $34¾ from $67½.

He remains under investigation by securities regulators, who are examining purchases of Viacom shares he made before the Paramount bid was announced, helping to raise the paper value of the offer last September.

If Viacom is to reverse the slide in its shares, it must first convince investors that the new group will be more than the sum of its parts. Wall Street remains sceptical about the scope for cutting costs and increasing revenues.

According to Mr Biondi, cost cutting will come mainly from reducing corporate overheads and combining the three companies' television and movie production groups: Viacom Entertainment, Paramount TV, and two film studies controlled by Blockbuster, Spelling and Republic.

Combining these operations should reduce overheads on the production side. Also, it will make the group the biggest buyer of film rights in the entertainment industry, at $2bn a year, and one of the biggest media buyers – both areas where the group could use its muscle to pressure suppliers into offering discounts, according to Mr Biondi.

In terms of growing revenues, Viacom points to three main areas.

First, it intends to grow as a producer, publisher and distributor of CD-ROM products, mainly computer games. Second, it has targeted growth in its cable network operations around the world – although there are only limited prospects for growth in the US. And third, it plans to move into merchandising, emulating the stores run by rivals Walt Disney and Warner Brothers. Viacom hopes Blockbuster's experience in managing a large retail network will help it in this regard.

There could also be opportunities for cross-promotion of products within the group.

For instance, Blockbuster's chain of music retailers in the US – claimed to be the country's largest – could benefit from Viacom's ownership of the popular MTV music video station.

Nickleodeon, a video station popular with children, could be used to promote Blockbuster's Discovery Zone entertainment centres.

Meanwhile, the three-way deal, if consummated, could lead to considerable jostling for position among executives from the three companies, raising questions about how quickly the benefits of a merger can be achieved.

Executives from Viacom, Paramount and Blockbuster would find themselves rubbing shoulders with Nynex, the telephone company which itself backed Viacom's Paramount bid with over $1bn.

Mr Redstone, with a majority of the voting stock, would be securely established at the head of the group.

It is a remarkable rise: just seven years ago, at the age of 63, Mr Redstone was launching the bid for Viacom which would first take him out of movie theatres and into cable television.

If the second stage of his plan – to acquire Blockbuster – goes ahead, he will end up owning over 20 per cent of the new colossus and controlling some 61 per cent of its voting shares.

But what of the others?

Mr Biondi has been pencilled in as chief executive of the group.

Mr Wayne Huizenga, the former waste management baron who built Blockbuster into the world's biggest video rental company, would become a deputy chairman.

Paramount executives have yet to be offered any seats around the table.

THE BATTLE FOR PARAMOUNT

Sept 12	Viacom announces $8.2bn agreed cash-and-shares offer for Paramount
Sept 20	QVC launches hostile $9.5bn counter-offer
Sept 29	Blockbuster agrees to invest $600m in Viacom to back its bid
Oct 4	Viacom gets a further $1.2bn, this time from Nynex
Oct 7	QVC announces financing for its bid: $500m each from Comcast and Liberty Media, and $6bn from banks
Oct 17	Cox Enterprises and Advance Publications agree to invest $500m each in QVC, if Paramount bid succeeds
Oct 21	QVC launches cash tender for 51 per cent of Paramount, and launches legal challenge to friendly merger agreement with Viacom
Oct 24	Viacom matches QVC's partial cash tender offer
Nov 11	BellSouth agrees to invest $1.5bn in QVC, if it acquires Paramount
Nov 24	Delaware chancery court blocks Paramount/Viacom agreement, says Paramount has not given adequate consideration to QVC bid
Dec 9	Delaware Supreme Court backs lower court ruling
Dec 14	Prompted by the courts, Paramount drops its poison pill arrangements and announces formal auction of company to highest bidder
Dec 20	Viacom and QVC submit new bids
Dec 22	Paramount board backs revised QVC bid, worth $10bn
Jan 7	Viacom announces $8.4bn merger with Blockbuster, which is to put $1.25bn behind a higher cash element in its offer for Paramount. However, overall value of the Viacom bid is not increased
Jan 12	Paramount again recommends QVC bid
Jan 18	Viacom raises its bid again, offering contingent value rights to protect Paramount shareholders against a fall in its share price
Feb 1	Both bidders raise their offers a final time. Viacom's bid, with its contingent value rights and higher cash element, is quickly judged preferable on Wall Street
Feb 2	Paramount says it expects to report a loss in its next quarterly figures
Feb 13	QVC says it will not raise its bid further

Mexican brewer in $533m share issue

By Damian Fraser in Mexico City

Grupo Modelo, Mexico's largest brewing group, and its owners are set to sell 12 per cent of the company's share capital today in a two-tranche initial public offering worth 1.652bn pesos ($533m).

The primary and secondary offers, totalling 24.3m shares, at 68 pesos per share comprise the biggest domestic share issue of a non-financial group in recent Mexican history. They value the whole company at 13.77bn pesos, or 38.5 times earnings and 2.3 times book value.

Modelo will become one of Mexico's most valuable companies, in terms of market capitalisation, and its shares will trade at a premium to those of Femsa, its main competitor.

Best known for its popular Corona beer, Modelo accounts for more than half of Mexico's domestic beer market and two-thirds of the country's exports.

Last year Modelo achieved net profits of 350m pesos, cash flow of 642m pesos, and estimated revenues of some 5bn pesos.

Anheuser-Bush, the giant US brewery, bought an 18 per cent stake in the company last March for $477m.

The two companies said at that time that they would co-operate on marketing and distribution. Anheuser-Busch also acquired the right to increase its stake to 35 per cent by 1997.

Mr Jacques Levy, executive vice-president of Accival, the brokerage that managed the issue, said that the offering of Modelo "is a big break that finally shows a company believes Mexico is mature enough to absorb this kind of money".

Mr Levy said that Modelo had no plans to make an international offering. The company will sell 5 per cent of its share capital in the primary offering, and its owners another 7 per cent in the secondary offering.

Modelo said that it would use part of the proceeds from the primary share offering to build a new brewery in the state of Zacatecas.

It reckons the new brewery will be ready by 1997, and that it will eventually produce 1.5m litres of beer annually.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 16.02.94: Pool purchase price £/MWh	Final Prices for Trading on 18.01.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.08	18.13	18.13
0100	17.15	23.19	24.84
0130	18.69	25.68	27.32
0200	18.69	25.68	27.32
0230	18.69	25.68	27.32
0300	18.64	25.68	27.32
0330	17.15	25.68	27.32
0400	17.14	25.68	27.32
0430	17.09	23.11	24.75
0500	17.08	23.02	24.66
0530	17.08	22.70	24.35
0600	17.08	22.55	24.20
0630	17.09	22.70	24.35
0700	19.36	23.19	24.83
0730	19.75	23.32	24.97
0800	19.77	28.59	30.25
0830	19.83	28.61	30.26
0900	22.11	28.63	30.28
0930	53.94	28.62	30.27
1000	53.95	28.61	30.27
1030	38.22	28.60	30.25
1100	22.01	28.58	30.24
1130	21.96	28.60	30.25
1200	21.97	28.61	30.26
1230	21.96	28.61	30.26
1300	21.92	24.59	26.24
1330	19.41	24.57	26.22
1400	19.01	23.62	25.26
1430	18.98	23.47	25.12
1500	18.97	23.47	25.11
1530	18.96	23.47	25.12
1600	19.94	23.51	25.16
1630	21.52	36.31	38.36
1700	22.66	43.99	47.32
1730	37.15	63.22	66.60
1800	38.96	62.37	65.62
1830	38.15	42.00	44.33
1900	35.10	30.02	31.84
1930	23.02	30.22	31.91
2000	22.19	26.47	27.13
2030	19.01	25.68	27.32
2100	18.98	23.32	24.98
2130	18.98	23.19	24.83
2200	18.80	23.19	24.83
2230	17.14	23.19	24.83
2300	17.04	23.19	24.83
2330	16.99	18.08	18.08
2400	16.98	18.08	18.08

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 9:30am and 5:15pm Monday to Friday.
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INTERNATIONAL CAPITAL MARKETS

Sweden raises £200m with five-year Eurobonds

By Antonia Sharpe

The Kingdom of Sweden took advantage of the temporary strength in the UK government bond market yesterday afternoon to raise £200m through an issue of Eurobonds with a five-year maturity.

The pricing of the bonds, to yield 24 basis points over the 6 per cent UK government bond due 1999, was widely regarded as fair and reflected the yield spread on Sweden's sterling-denominated paper in the secondary market. Lead managers IBJ International and UBS said that most of the demand for the issue came from Europe.

The proceeds of the deal, which remained in syndicate overnight, were thought to have been swapped into floating-rate dollars. Some syndicate managers noted, however, that the pricing of the bonds on its own would not have allowed Sweden to achieve its perceived dollar funding target of around 10 to 12 basis points below Libor.

The other main deal of the day was a $300m 10-year offering of Eurobonds from the US financial subsidiary of BMW, the German car manufacturer, which has an implied single-A rating. The bonds, which were priced to yield 66 basis points over 10-year US Treasuries, were deemed to be expensive when compared with yield spreads on outstanding 10-year dollar-denominated paper by other single-A corporates.

INTERNATIONAL BONDS

Lead managers Dresdner Bank and Goldman Sachs reported solid demand for the bonds from Italy, Switzerland and France but said that German interest was muted because of a public holiday in parts of Germany. Nevertheless, when the bonds were freed to trade, they slipped from their fixed re-offer price of 99.85 to 99.75 and the spread widened to 69 basis points, according to some dealers.

Elsewhere, Region d'Ile de France, the French local authority, raised FFr800m through an offering of eight-year Eurobonds which were priced to yield 25 basis points over the French government bond yield curve. Lead manager CCF said the bonds appealed to French institutions and retail investors in Switzerland. Générale des Eaux is expected to launch a FFr2bn offering of eight-year Eurobonds as early as today at a yield spread of between 45 to 50 basis points over French government bonds.

The European Investment Bank was also thought to be taking bids from four investment banks for a $500m offering of 10-year Eurobonds. The price talk on the deal was between five and 10 basis points over the old US treasury. Syndicate managers said the spread on the EIB's deal could influence the pricing on the Asian Development Bank's forthcoming $750m offering of global bonds.

The market also expects the Kingdom of Belgium to raise as much as DM1bn in the Eurobond market in the near future. The issuer is believed to favour a 10-year maturity but some syndicate managers believed that it would be able to achieve better pricing if it opted for a maturity of between five and seven years.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
BMW US Capital Corp.	300	6.625	99.85R	Mar.2004	0.40R	+66 (5¾%-04)	Dresdner/ Goldman Sachs
Keisei Electric Railway(a)ф	250	1.00	100.00	Mar.1998	2.25	-	Nomura International
CS First Boston‡	150	(b)	100.00R	Mar.2004	0.35R	-	CS First Boston
Nishio Rent All Co.(c)ф	60	1.00	100.00	Mar.1998	2.25	-	New Japan Secs. Europe
YEN							
Ford Credit Europe(d)	20bn	2.75	100.23R	Jun.1997	0.25R	-	Merrill Lynch Intl.
STERLING							
Kingdom of Sweden(d)	200	6.25	99.40R	Dec.1999	0.25R	+24 (6%-99)	IBJ Intl/ UBS
FRENCH FRANCS							
Region D'Ile de France	800	5.875	99.29R	Mar.2002	0.30R	+25 (e)	CCF
Westdeutsche Landesbank(f)	300	zero	100.00	Sep.1995	-	-	Crédit Lyonnais
SWISS FRANCS							
Mr Max Corp.(a)*ф	220	0.125	100.00	Mar.1998	-	-	Nomura Bank(Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. фWith equity warrants. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Fixing: 22/2/94. b) 6-mth Libor -0.25%; min 5%. c) Fixing: 23/2/94. d) Short 1st coupon. e) Over interpolated yield. f) 2-tranche deal linked to SBF120 index.

World Bank facility enhances liquidity

By Antonia Sharpe

The World Bank is seeking to increase investor confidence in its structured bonds by incorporating facilities in its forthcoming $5bn global multi-currency note programme to improve the liquidity and price transparency in the bonds in the secondary market.

The World Bank plans to raise at least $2bn of its annual borrowing programme of between $10bn and $12bn through structured products. These products will be linked only to interest rates and exchange rates.

Although structured bonds tend to have relatively short maturities, the World Bank hopes that its liquidity facility will enable it to achieve maturities of between four and 10 years. Mr Sudhir Krishnamurthi, senior financial officer at the World Bank, said the liquidity arrangements were designed to reduce concerns expressed by investors.

By offering to exchange its outstanding structured notes for new floating-rate or structured notes, the World Bank hopes to be more supportive of its sponsoring dealers' secondary market activities than other issuers.

Mr Krishnamurthi said the World Bank's strong internal standards regarding the use of derivatives should also appeal to investors. "We tend to be extremely careful to ensure that the structures make sense and have the right risk relationships," he said.

The multi-currency programme, which replaces the World Bank's existing programmes, is likely to start next week and should enable the World Bank to continue to drive down its funding costs.

The sponsoring dealers for the programme are Commerzbank, Goldman Sachs, IBJ International, Kidder Peabody, Lehman Brothers, Mitsubishi Finance and Morgan Stanley. However, the dealers will be reviewed on a regular basis.

Investors go for safety first in volatile environment

By Conner Middelmann in London and Frank McGurty in New York

European government bonds had another volatile day, with the higher-yielding markets posting the largest losses and the core markets benefiting from their perceived status as safe havens amid widespread nervousness.

"In this volatile environment, investors opt for safety-plays in the core markets," said Mr André de Silva, a market strategist at Paine Webber in London, noting that the yield premiums on Italian, Spanish and Swedish bonds over German bunds have widened significantly over the past two weeks.

■ In the UK, gilts ended a choppy session slightly lower despite encouraging economic data. Gilt futures hit the day's high after the release of much weaker-than-expected December manufacturing output and industrial production figures, but drifted lower as follow-through cash buying failed to materialise.

The announcement of the terms for next week's gilt auction had little impact on the market, although traders were cheered by the size of the auction, which was at the low end of market expectations.

Otherwise, the details were in line with forecasts: the Bank will auction £2.5bn of the existing 7 per cent gilt due 2001 next Wednesday. The issue will be partly paid, with 50 per cent payable on April 11, and is Free of Tax to Residents Abroad (Fotra). When-issued trading began yesterday.

Gilt traders today will focus on the announcement of the January retail prices index and retail sales data.

■ German bunds saw another trendless day amid thin volume as parts of Germany were closed for a holiday. The bund future fell on comments from Mr Günther Rexrodt, the German economics minister, who said that he did not expect German interest rates to decline in the near term.

GOVERNMENT BONDS

Although the D-Mark firmed against the dollar and some ERM currencies, few market participants expect the Bundesbank to lower interest rates at its council meeting on Thursday as long as the pay dispute in the engineering sector continues.

■ Italian and Spanish bonds continued to slide as investors shifted into lower-yielding core markets. The Italian futures contract on Liffe dropped by 0.97 point to 116.27, pressured by the 10-year bond auction, where the yield rose to 7.59 per cent from 7.36 per cent at the previous auction in January.

The Madrid-based Spanish bond future fell by 0/70 point to 104.98. Prices remain pressured by recent bearish inflation indicators and selling by overseas investors.

■ Supported by the weak stock market and the strong yen, Japanese government bonds continued their recent rally but late profit-taking erased most gains, leaving them only slightly firmer at the close.

Nevertheless, Mr Mark Hale, senior economist at Sakura Finance, expects the yield on the JGB No. 157 to ease to 3.20 per cent to 3.25 per cent in the near term, from 3.385 per cent currently, aided by the strong currency, more evidence of the economy's weakness and an accommodating money-market stance by the Bank of Japan ahead of year-end on March 31.

■ US Treasury bonds drifted higher yesterday morning after stability returned to the currency markets and two readings on the economy produced no surprises.

By midday, the benchmark 30-year government bond inched $\frac{1}{16}$ ahead to 97$\frac{13}{16}$, with the yield slipping to 6.443 per cent. At the short end, the two-year note was up $\frac{1}{32}$ at 99¾, to yield 4.387 per cent.

Bonds across the maturity range held close to their opening levels in spite of underlying concern over strained trade relations between the US and Japan. The long end had slumped the previous session after tensions between the two countries triggered a sharp downturn in the value of the dollar against the yen.

But the US currency firmed yesterday, easing fears the Japanese investors would sell off their dollar-denominated holdings.

The day's economic news was largely in line with expectations. The Federal Reserve reported January industrial production was up 0.5 per cent, against a revised 0.9 per cent in December. Capacity utilisation, which is keenly watched as a measure of inflationary potential, edged up to 83.1 per cent, from 82.9 per cent the previous month. Neither set of data was conclusive enough to influence sentiment.

S Korea abandons rules on seeking funds from abroad

South Korea's finance ministry said it would allow domestic companies to issue overseas equity-linked securities with no prior approval from securities authorities, Reuter reports from Seoul.

At present, companies hoping to raise funds abroad through convertible bonds, bonds with warrants or depository receipts are required to get approval from the Securities Supervisory Board and the Securities Exchange Commission. The commission is expected to scrap the obligation on February 28, although a finance ministry official said firms would still be required to notify the ministry of their plans.

The ministry expected a total of $2.5bn of overseas bonds to be issued by South Korean concerns overseas this year.

Issue of equity-linked securities would total between $1.2bn and $1.3bn from $920m in 1993.

South Korean non-manufacturing firms will now be able to raise funds abroad to expand into overseas markets or for royalty payments. Such issues were limited to manufacturers planning overseas investment or the import of manufacturing equipment or research facilities.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	120.8100	−0.160	6.30	6.36	6.33
Belgium		7.250	04/04	104.0200	−0.370	6.69	6.59	6.59
Canada *		6.500	06/04	99.3000	+0.010	6.59	6.62	6.43
Denmark		7.000	12/04	105.3000	−0.750	6.31	6.17	5.89
France	BTAN	8.000	05/98	109.4900	−0.200	5.42	5.35	5.05
	OAT	5.500	04/04	98.7200	−0.190	5.94	5.92	5.64
Germany		6.000	09/03	101.2400	−0.190	5.82	5.84	5.69
Italy		8.500	01/04	99.2200	−0.410	8.62†	8.42	8.51
Japan	No 119	4.800	06/99	108.0430	+0.100	3.05	3.14	2.61
	No 157	4.500	06/03	108.4090	+0.460	3.32	3.51	3.18
Netherlands		5.750	01/04	99.3500	−0.070	5.84	5.80	5.60
Spain		10.500	10/03	115.5000	−1.000	8.12	7.91	8.05
UK Gilts		9.750	01/98	112−28	−4/32	5.98	5.90	5.70
		6.750	11/04	101−09	−4/32	6.56	6.53	6.17
		9.000	10/08	119−21	−5/32	6.86	6.81	6.56
US Treasury *		5.875	02/04	99−31	−1/32	5.88	5.95	5.71
		6.250	08/23	97−10	−17/32	6.46	6.41	6.27
ECU (French Govt)		6.000	04/04	98.6400	−0.090	6.18	6.14	5.98

London closing. *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime rates

Prime rate	6
Broker loan rate	5
Fed.funds	3⅜
Fed.funds at intervention	-

Treasury Bills and Bond Yields

One month	3.15	Three year	4.78
Two month	3.26	Five year	5.32
Three month	3.34	10-year	5.87
Six month	3.53	30-year	6.44
One year	3.84		
Two year	4.40		

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	128.96	128.66	-0.20	128.96	128.46	240,198	157,567
Jun	128.52	128.26	-0.20	128.52	128.06	3,533	22,269
Sep	127.76	127.52	-0.18	127.76	127.40	293	6,500

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
128	0.89	1.40	1.40	0.24	1.16	1.90
129	0.29	0.90	-	0.66	1.66	-
130	0.05	0.54	-	1.43	-	-
131	-	0.30	0.45	2.32	-	-
132	-	0.18	0.30	-	-	-

Est. vol. total, Calls 34,014 Puts 40,187. Previous day's open int., Calls 336,665 Puts 330,110.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.24	99.04	-0.23	99.35	98.85	157591	193931
Jun	99.15	98.93	-0.24	99.20	98.75	2134	12428

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9900	0.32	0.90	0.28	0.97
9950	0.13	0.69	0.59	1.26
10000	0.04	0.50	1.00	1.57

Est. vol. total, Calls 13752 Puts 15675. Previous day's open int., Calls 288129 Puts 237411

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	102.49	102.23	-0.19	102.49	102.16	2367	8824

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	117.18	116.36	-0.95	117.25	116.01	98302	89461
Jun	117.24	116.59	-0.97	117.35	116.40	1476	9337

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11600	0.61	2.42	0.25	1.83
11650	0.33	2.15	0.47	2.06
11700	0.15	1.90	0.79	2.31

Est. vol. total, Calls 4055 Puts 4902. Previous day's open int., Calls 54450 Puts 63401

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	105.65	104.99	-0.70	105.66	104.80	84,591	111,501
Jun	105.38	105.01	-0.49	105.38	105.23	2,095	11,525

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	115-31	115-28	-0-03	116-12	115-16	95066	158269
Jun	116-04	115-04	-0-05	115-14	114-31	3040	5085

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
115	1-07	1-59	0-15	1-51
116	0-31	1-29	0-39	2-21
117	0-11	1-05	1-19	2-61

Est. vol. total, Calls 9736 Puts 11705. Previous day's open int., Calls 127743 Puts 83663

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	120.16	120.06	-0.10	120.20	119.94	2,480	13,924
Jun	-	95.16	-0.10	-	-	-	203

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	114-14	114-16	-0-01	114-25	114-10	298,598	317,177
Jun	113-13	113-13	-0-02	113-23	113-09	5,702	39,841
Sep	112-24	112-17	-0-04	112-25	112-12	3,666	35,002

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	115.70			115.87	115.40	2350	0
Jun	114.68			114.76	114.35	1429	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Feb 15	Day's change %	Mon Feb 14	Accrued interest	xd adj. ytd		Low coupon yield Feb 15	Feb 14	Yr. ago	Medium coupon yield Feb 15	Feb 14	Yr. ago	High coupon yield Feb 15	Feb 14	Yr. ago
1 Up to 5 years (25)	128.73	−0.03	128.76	2.07	1.23	5 yrs	5.96	5.93	6.35	6.22	6.21	6.95	6.32	6.30	7.15
2 5-15 years (21)	158.20	−0.04	158.26	1.71	2.14	15 yrs	6.78	6.76	7.85	6.85	6.85	8.36	7.05	7.04	8.63
3 Over 15 years (8)	182.83	−0.05	182.92	1.71	1.79	20 yrs	6.87	6.85	8.19	6.88	6.85	8.54	7.06	7.05	8.71
4 Irredeemables (6)	217.84	−0.04	217.93	3.08	0.00	Irred.†	6.94	6.94	8.67						
5 All stocks (60)	153.67	−0.04	153.72	1.88	1.75										

Index-linked							Inflation 5% Feb 15	Feb 14	Yr. ago	Inflation 10% Feb 15	Feb 14	Yr. ago
6 Up to 5 years (2)	189.59	−0.15	189.88	0.47	1.41	Up to 5 yrs	2.42	2.36	1.93	1.61	1.55	1.03
7 Over 5 years (11)	188.46	−0.35	189.35	0.60	0.79	Over 5 yrs	3.08	3.06	3.53	2.92	2.89	3.33
8 All stocks (13)	187.67	−0.33	188.48	0.59	0.85							

Debentures and Loans						5 year yield Feb 15	Feb 14	Yr. ago	15 year yield Feb 15	Feb 14	Yr. ago	25 year yield Feb 15	Feb 14	Yr. ago
9 Debs & Loans (69)	153.26	+0.68	152.23	2.16	1.66	7.75	7.70	8.63	7.85	7.83	9.47	7.92	7.91	9.68

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 15	Feb 14	Feb 11	Feb 10	Feb 9	Yr ago	High*	Low*
Govt. Secs. (UK)	103.85	103.96	103.92	104.16	104.11	95.95	107.60	93.28
Fixed Interest	127.77	128.11	128.30	128.36	128.87	111.69	133.87	108.67

GILT EDGED ACTIVITY INDICES

	Feb 14	Feb 11	Feb 10	Feb 9	Feb 8
Gilt Edged bargains	100.5	127.7	122.0	127.4	140.4
5-day average	122.4	128.7	131.6	131.7	125.5

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on February 15

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100⅛	100⅜		6.48
Alberta Province 9⅜ 95	600	107⅝	108		4.58
Austria 8½ 00	400	112⅞	113¼		5.87
Bank of Tokyo 8⅜ 96	100	108⅛	108⅜	-⅛	5.25
Belgium 9⅝ 98	250	115¼	115⅝		5.60
United Kingdom 7¼ 97	5500	105¾	105⅞		5.38
Volkswagen Intl Fin 7 03	1000	102¾	103⅛	+¼	6.59
World Bank 0 15	2000	27¾	28	-⅛	6.04
World Bank 5¼ 98	300	101⅞	102¼		4.78
World Bank 8¾ 00	1250	116¼	116⅝		5.56
Alliance Leics 11⅛ 97 £	100	114⅝	115⅛		8.22
British Gas 12¾ 95 £	300	108¾	107⅛	-⅛	5.58
British Land 8⅞ 23 £	150	102⅞	103⅛	+⅛	8.79
EIB 10 97 £	637	110¾	111⅛		5.94
Halifax 10⅞ 97 £	100	111½	112	-⅛	8.12
Hanson 10⅜ 97 £	500	112	112½	-⅛	6.58
HSBC Holdings 11.69 02 £	153	123⅞	124½	+⅛	7.72

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

Profits warning clips 5p off Argyll shares

By Neil Buckley

Argyll, the supermarket group, warned yesterday that fierce competition in the grocery market would reduce its profits this year, but announced a smaller underlying sales fall for the past four months than the City was expecting.

The group, which includes Safeway, Presto and Lo-Cost, said the outcome for the year to April 2 would be "slightly below last year", due to a fall in gross margins and like-for-like sales. That was before the effect of new depreciation policies, which will knock £40m off profits.

The grocery sector faces looming saturation and the rapid growth of cut-price discounters, and has been rocked in recent weeks by statements from Argyll's rivals, Tesco and J Sainsbury.

Tesco said it was cutting its expansion programme, while Sainsbury revealed a 1 per cent fall in underlying sales – leading to the biggest-ever one-day fall in its share price.

But yesterday's news from Argyll knocked only 5p off its shares, which closed at 256p.

Some analysts suggested that Argyll's comments about a recent recovery in margins, together with its rivals' insistence that they expected to hold margins at their new levels, indicated the market was stabilising.

Sir Alistair Grant, Argyll chairman, said he privately agreed with the Sainsbury chairman, Mr David Sainsbury, that the "hottest" period of price competition had passed, although further price cuts could not be ruled out.

"There have been no real winners in this recent period of competitive activity," he said. "But we are running our business on the basis that this is a very competitive market and we cannot be out of line with our competitors."

Total sales for the 16 weeks to February 5 were up 10.7 per cent. New stores added 11.1 per cent, while sales from existing stores fell 0.4 per cent – beating analysts' forecasts of a fall of 1 per cent or more.

The decline resulted from "exceptionally low inflation", including a fall in grocery prices in December, as well as trading down by customers to cheaper products and a fall in margins as Safeway responded to price-cutting by its rivals.

Sir Alistair said Argyll's gross margin had fallen almost one percentage point. But it had recovered slightly in recent weeks as customers were buying more own-label products, with a higher margin, and increasing volumes had enabled Safeway to negotiate better terms with its suppliers.

In spite of the profits fall, Argyll anticipates a final dividend of 7.75p, lifting the total from 10.9p to 11.5p, but said future increases would match earnings growth.

Unclear route ahead for transport leaser

Andrew Bolger looks at Tiphook's proposed disposal of its container operations

Will Tiphook, the transport leasing company, have any future after it has sold off its main asset to reduce a crippling debt burden?

That is the question which shareholders and US bondholders were wrestling with yesterday, as they considered long-awaited details of the proposed disposal of Tiphook's container business to Transamerica, the US financial services group.

The answer is by no means clear. The group's current debts of £1.1bn will be substantially reduced by the proceeds of the sale, even although the price has fallen from the surprisingly high £830m first announced in November to the latest figure: a minimum of £690m. A further £44m will be placed in an escrow account, but that will be subject to further claims by Transamerica.

Even the sale is not yet certain, since it is subject to approval by shareholders at an extraordinary meeting on March 10. In reality, they have little choice: the accompanying circular makes it clear that should the disposal be blocked, the group would be forced into liquidation – leaving investors with nothing.

The group's main banks – led by National Westminster and Commerzbank of Germany – have decided to soldier on, although some of the smaller and more restive banks have had their loans paid off.

One analyst said: "The big lenders realise that if any one of them puts the company into receivership, it would just cause a financial meltdown."

Sir Charles Powell (left), Rupert Hambro (centre) and Robert Montague, Tiphook's resilient founder

A greater threat comes from US bondholders, who have lent Tiphook $700m (£479m) and as unsecured lenders are in a more exposed position.

Seeking to deflect the bondholders' anger, Tiphook has proposed that up to £193m of the sale proceeds be used to purchase 40 per cent of the US bonds at par.

The tender offer is more than some bondholders had expected at this stage, but the group still faces litigation in the US from bondholders claiming to have been misled by over-confident assertions about Tiphook's prospects.

The group's debt was downgraded to so-called junk-bond status within months of issue last year.

Tiphook's circular warns that a class action launched by US bondholders could, if successful, make the group liable to the full $700m raised in the US. One analyst said: "If they were to lose anything like that sort of amount, it would all be over."

Even assuming shareholder approval for the container sale and the avoidance of a doomsday judgment in the US courts, Tiphook's future looks precarious.

After the disposal, Tiphook will still have debts of about £500m and shareholders funds will fall to about £40m, minus whatever the company loses in the second half to April. A refinancing will therefore be necessary sooner rather than later.

The circular says plans for the remaining group rest on a number of key assumptions:

- There will be a general economic recovery throughout Europe, particularly in the UK and Germany, and trading performance would improve in line with improved conditions;
- The group will reduce its overheads significantly, and improve working capital management;
- The group will realise £25m from the disposal of surplus and obsolete portions of its fleet and excess properties;
- About half of the £44m placed in escrow for the containers will be released in due course to the group.

The document further emphasises that the group has commitments to buy £160m worth of trailers in 1996, for which it will have to find finance. It could also suffer material losses from its currency exposure, since it will have dollar-denominated debt unmatched by significant dollar assets or income.

One analyst estimated that the reduced trailer and rail rental business employs about £500m of capital and should be able to make operating profits of at least £60m. Assuming interest payments of £40m, that would yield pre-tax profits of £20m.

Observers have also been struck by the extent of the boardroom clear-out. Apart from Mr Rupert Hambro, who joined in 1990 and will become non-executive chairman, and the resilient founder, Mr Robert Montague, only two members of the board survive. Mr Andrew Chandler, 37, joined the board last August as finance director, while Mr Kenneth Dick, 81, has been a non-executive since 1986.

Legal reasons concerning the group's new arrangements with the banks were cited as the case for the resignations of two non-executives – Sir Charles Powell, former private secretary to Mrs Margaret Thatcher, who is also a non-executive director of National Westminster, and Mr Martin Kohlhaussen, chairman of Commerzbank.

Tiphook will appoint a new permanent chairman and will also seek further non-executives. Given the huge financial and trading uncertainties which the group still faces, these may not prove easy jobs to fill.

One analyst said: "Tiphook will have a big credibility problem for the foreseeable future."

CRSG rights issue to fund acquisitions

By Simon Davies

Conrad Ritblat Sinclair Goldsmith, the property surveying and estate agency, yesterday announced the acquisition of two London office buildings for £21.1m to be funded by a 1-for-1 rights issue.

At the same time the company reported pre-tax profits of £600,000 for the half year to November 30 compared with losses of £260,000.

The rights issue price is 42p, against yesterday's close of 58p. It will raise a total of £24.2m.

The acquisition is designed to reduce sharply CRSG's fixed overheads, since the buildings will be primarily utilised by the company. It will also lock into asset values which offer potential for appreciation.

Following the acquisition, the company will have net assets of about £30m, a net cash position, and a market capitalisation of about £54m.

CRSG was formed last May by the merger of Sinclair Goldsmith, the listed property agency, with Conrad Ritblat. The two companies operated in different segments of the market, and the merger aimed to provide synergies and a stronger position in the chartered surveying market.

Mr John Ritblat, chairman of British Land, is chairman and leading shareholder, with a 9.7 per cent holding in the enlarged company.

One property, at 9, Marylebone Lane, is being purchased for £10.1m from Pleiad, a consortium of four Swedish insurance and pension companies and Volvo. Pleiad acquired the property on a sale and lease-back basis from Rosehaugh for £23.5m in 1990.

CRSG will relocate most of its staff from its West End operations in Manchester Square, with 40 per cent of the new building being leased out on short leases to allow for further expansion.

St Michael's House is an office development due to be completed in spring 1995. CRSG is paying Barclays £11m, under an agreement whereby Barclays will be responsible for completing the property.

It is also planned that the lease on CRSG's offices in Finsbury Circus will be ended in March 1996.

Turnover for the six months was £5.6m (£1.18m). Earnings per share amounted to 7p (losses 2.03p). There is no interim dividend but the directors expect to recommend a final of not less than 0.33p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Armitage Bros ......int	2.7	Apr 15	2.6	-	6.2
Baring Tribune ......fin	4.9	Apr 8	4.75	6.6	6.45
Burlington ......fin	0.6	Apr 9	0.5	0.6	0.5
Fleming Fledge ......fin	2	Apr 22	2	3	3
Hanson ......int	2.85♠	Apr 6	2.85	-	11.4
Mersey Docks ......fin	6.15†	Apr 30	5	9	7.5
St Modwen Props ......fin	0.7	Apr 21	0.6	1	0.6
TR Pacific Tst ......fin	0.35	Apr 29	0.35	0.35	0.35
Union Discount ......fin	3	Apr 22	nil	3	nil

Dividends shown pence per share net except where otherwise stated. †On increased capital. ♠First quarter distribution.

Xenova to seek first listing in the US

By David Wighton

Xenova, a pharmaceutical research company, is planning to go public in the US rather than join the growing number of biotechnology companies listed in London.

It is hoping to raise about $45m (£31m) from a public offering of American Depositary Shares, valuing its enlarged equity at up to $175m, and is applying for a quotation on the Nasdaq market.

The company declined to comment on the move, citing US Securities and Exchange Commission rules, but it has previously said that it was likely to float first in the US.

It already has a strong base of shareholders in the US after a $30m private placement of equity a year ago.

Xenova has filed with the SEC a registration statement covering an initial public offering representing 3m ordinary shares at an expected price range of $13 to $15. Of these, 1m will be offered internationally.

Following the relaxation of the London Stock Exchange's listing requirements for research-based companies there have been a series of biotechnology flotations in the UK.

Ramus rights result

The recent £3m rights issue by Ramus Holdings, the building materials supplier, of 12.71m new ordinary shares was taken up as to 10.02m shares (78.82 per cent). The balance was sold in the market.

MIN may sue over football club dispute

By Peggy Hollinger

Writs are expected to fly today in the feud between Birmingham City Football Club and Midland Independent Newspapers, the publishing group which is set to float next month.

MIN is expected to sue either Mr David Sullivan, publisher of the Sunday Sport and majority owner of the football club, or Ms Karren Brady, Birmingham City's managing director, for libel.

The action arises from anonymous documents which have been circulated raising questions over the readerships of individual newspapers and company transactions with directors.

The dispute is likely to be included as a contingent liability in MIN's prospectus, following comments from Ms Brady and Mr Sullivan that they would seek a boycott of the group's papers from the 28,000 fans on the club's mailing list.

The feud began last month when Ms Brady wrote to Mr Christopher Oakley, MIN's chief executive, demanding greater financial support of the club. After further exchanges, Ms Brady suggested that a boycott of the paper by Birmingham City fans could knock 10 per cent off the circulation of the Birmingham Post & Mail.

Speyhawk properties sold

By Vanessa Houlder, Property Correspondent

Receivers of Speyhawk, the developer that collapsed last May, have sold part of its portfolio to Scottish Amicable.

The price paid was a fraction of the £110m loan that was secured on the portfolio. The value of Speyhawk's properties was hit extremely hard during the property downturn, because the properties included development sites and buildings only partly let.

The portfolio included Prospect West, an office building in Croydon, The Corn Exchange, a shopping centre in Tunbridge Wells, the Bradley Stoke District Centre in Bristol and Weymouth Town Centre. Some properties in Brighton and some residential units financed using the loan were excluded.

Mr Peter Spratt of Price Waterhouse said the sales had secured the long-term future of key developments.

Pay-off for former Saatchi chief

By Diane Summers, Marketing Correspondent

The former US chief executive of Saatchi & Saatchi Advertising Worldwide, part of the heavily indebted Saatchi & Saatchi group, is to receive a pay-off believed to be worth about $6m (£4.1m) after just one year in the job.

Mr Bob Kennedy, who had spent a large part of his career with the company, said last month that he was leaving to pursue other interests. He was paid about $800,000 last year, said Saatchi. The company refused to disclose the length of his contract, but said the compensation to be paid was "the minimum under the terms of his contract". The money will not be paid as a lump sum.

It is widely believed that Mr Kennedy had disagreements with Mr Charles Scott, the recently-appointed chief executive of the group. Mr Scott has been taking a firm line with the US operation because of its poor performance.

In December Saatchi & Saatchi issued a profits warning and analysts reduced their forecasts for 1993 pre-tax profits, which had stood at some £24m to £29m, by about £6m. Results are due next month. A presentation to analysts by Mr Scott in the US recently suggested that the group's average net debt now stands at between £130m and £135m.

The profits warning followed the loss of two large accounts in the US, worth £30m in revenue for 1994, plus pessimism about client spending in the US and Europe.

Mr Scott has been trying to shake up the group's three agency networks in the US and attempting to introduce a media-buying operation along the lines of Zenith, Saatchi's European media-buying arm. However, he has been meeting resistance to the plan from some senior agency personnel.

Float values Mithras at £20m

By Richard Gourlay

Mithras Investment Trust, a provider of mezzanine finance to unquoted companies, is to come to the market through a placing which values the group at £20m.

The company was formed in 1990 by Legal & General Ventures – which remains the investment manager – Pricoa and Banque Indosuez. It has investments in 10 unquoted companies and Anglian Group, which floated in 1992.

By floating and gaining investment trust status, Mithras will be able to avoid capital gains tax on the sale of its Anglian shares and other companies that may float.

NM Rothschild and Warburg Securities yesterday placed 10m Mithras shares at 50p, raising £4.25m. The company had net assets of £15m, or 49.9p a share, at end-1993.

The flotation comes less than a month after Postel, the UK's largest fund manager, bought a 20 per cent stake in Intermediate Capital Group.

ICG is one of the few groups still providing mezzanine finance – a form of capital that is riskier and higher yielding than bank debt but is not generally classed as equity and is not usually as risky.

Many banks entered the mezzanine market in the late 1980s but withdrew in the early 1990s after losing money on overly leveraged buy-outs such as Isosceles.

The prospectus warns that Mithras's principal investments are in loans to unquoted companies with high levels of gearing.

COMPANY NEWS: UK

Pilkington to reduce debt via Australian float

By Nikki Tait in Sydney and Maggie Urry in London

Pilkington, the glass maker, is to float a 49 per cent stake in its Australasian operations on the Australian stock exchange.

The sale will help Pilkington cut borrowings, which stood at £1.02bn, giving 87 per cent gearing, at its September half year end – before the £200m disposal of Sola, its spectacle lens business. Pilkington aims to cut gearing to 50 per cent by 1995, helped by disposals.

The timing for a float is considered good, and profits of the business are recovering. However, Pilkington is not expected to recoup the £103m it spent in 1988 to acquire 50.3 per cent of the Australasian business from BTR Nylex.

The flotation is expected to take place in mid-1994. Keeping a 51 per cent stake will enable Pilkington to consolidate 100 per cent of the Australasian subsidiary's profits, taking a minority charge after tax.

Since 1988 Pilkington has taken severe action to improve its Australasian operations, which now include two float tanks and significant downstream operations such as glass toughening and automotive glass making.

Heavy extraordinary losses were caused by the closure of a lossmaking curtain walling operation and the New Zealand sheet glass plant which was falling into losses. It is the only float glass maker in Australasia and has 70 per cent of the market.

Profits in recent years had also been under pressure from recession and cheap imports from China and other parts of Asia. However, economic recovery and action to stop dumping have led to a recent revival in profits.

Turnover of the Australasian business was A$384m (£189m) in 1992-93, from which it is thought pre-interest profits were about A$20m.

Mr Geoff Marshall, chief executive of Pilkington Australasia, said the group would come to the market with "a commercially viable balance sheet".

Potter Warburg, the stockbrokers, and Coopers & Lybrand are advising Pilkington on the float.

See Lex

New vessel helps Lofs to $0.8m

By Nigel Clark

London & Overseas Freighters, the Bermuda-based and London-quoted shipping company, reported income before tax of $795,000 (£545,000) for the three months to December 31, against $547,000.

Mr Miles Kulukundis, chief executive officer, said the result was achieved in difficult trading and came despite the London Enterprise suffering a particularly poor three months and one-off costs of the office move of the London subsidiary.

Gross revenue doubled to $7.64m ($3.97m) as a result of increased charter rates and the inclusion of the London Pride. The figures took the nine month profit to $2.36m ($372,000) on revenue of $20.3m ($13m).

The company also announced the completion of its investment programme. It is now having two new tankers built, with the second to be delivered towards the end of 1995.

The three month profit was after a net interest charge of $1.19m ($135,000). Earnings per share fell to 2 cents (2.3 cents) following the issue of 50m shares in December.

Union Discount back in the black with £4.5m

By Simon Davies

Union Discount, one of the City's leading discount houses, yesterday reported a return to profitability after two years of heavy losses and announced the end of a costly restructuring programme.

It has also securitised £42m worth of leases issued by its two remaining leasing subsidiaries, raising £38.2m.

Mr Ian Martin, managing director, said this gave the company "breathing space to reduce our involvement on a measured basis".

The company, which is to be renamed Union to reflect its broader spread of businesses, reported pre-tax profits of £4.5m for the 1993 year. That compared with losses of £23.5m and £16m in 1991 and 1992 respectively. It celebrated the turnround with a dividend of 3p, its first for two years. Earnings of 11.5p per share compared with losses of 78.2p.

A profit of £6.5m from the disposal of Winterflood Securities was matched by £6.7m of exceptional losses from Union's withdrawal from its disastrous 1980's push into term financing.

Sir George Blunden, the chief executive who has instigated a radical clean-out since his appointment in June 1992, said the process was almost complete.

The only remaining non-core activity is its Sales Aid Leasing businesses, which contributed £1.8m to operating profit last year, but is likely to be sold in the longer-term.

The securitisation of leases from this business is in the form of £32.5m of senior notes, expected to have a AAA rating, and £5.7m of Mezzanine notes issued by Union's Sabre Leasing subsidiary which are expected to have an A2 rating.

Continuing operations contributed £4.37m before exceptional items. The management is confident that this represents a profitable core, with upside potential from various new businesses.

Union intends to build up Aitken Campbell, its market-making arm, and its derivatives business.

● COMMENT

In a short period of time, new management has brought Union Discount back from the brink and it is once more in a position to focus on its money market skills, where it has more than a century of expertise. With capital tied up in lossmaking leasing businesses, its money market activities have been restricted, as have a growing range of related businesses where it can build on its existing client base. Analysts expect pre-tax profit to increase to £5.5m in the current year. At a share price of 202p, the shares are trading on a prospective p/e of about 10.4, and a premium to net asset value per share of 197p. Given its stage of recovery, further upward movement will be an act of faith in the management, but it has gone some way to earn this.

Sir George Blunden: instigator of a radical clean-out

NEWS IN BRIEF

EFM SMALL Companies Trust: Application lists for proposed issue of C shares expected to open on or about March 2 and close on or about March 23. Issue to take the form of an offer for subscription with existing share and warrant holders receiving priority.

ESSEX WATER is being appointed as the water supply company for Suffolk Water's area. Suffolk has agreed that its appointment should be terminated. The companies have operated substantially as one for three years.

MARLOWE HOLDINGS' recommended cash offer for Bennett & Fountain Group will close on February 28. Acceptances have been received in respect of 68.4 per cent of the B&F shares including 60 per cent relating to a holding by Parkway, a subsidiary of Voltex.

MIDDLESBROUGH, the First Division football club, plans to increase its share capital from £2m to £10m through a share issue to prepare for a move from its Ayresome Park ground to a new £16m stadium in 1995.

UNIGROUP is in talks concerning the possible disposal of two subsidiaries – CD (UK) and CD sa. Both form part of the building products division.

WILLS GROUP, distributor of fluid handling equipment, is buying SI Industries from the administrative receiver for £650,000. SI makes beer and beverage cooling equipment and has net assets of about £650,000. In the 11 months to December 1 1993 it incurred a pre-tax loss of £400,000.

Key shareholder gives Butte Mining poll win

By Kenneth Gooding, Mining Correspondent

A change of mind by a key shareholder helped management of Butte Mining to a resounding win in the poll called for at the annual meeting three weeks ago, Mr David Lloyd-Jacob, chairman, reported last night.

More than 90m votes were cast in favour of the board's five resolutions while about 20m were against, he said. Butte's main activity is prosecuting US lawsuits – it is seeking damages of up to $1bn (£600m) from former managers and promoters – and most of the votes against were cast by defendants, he added.

A block of 18.9m shares, representing 7.9 per cent of the issued capital, that was voted against the resolutions at the meeting was switched in the poll to favour the board. This block was once owned by Mr Clive Smith, who was the promoter and a former director of Butte, but was taken by Société Banquaire de Paris, apparently when he fell behind with loan payments. In August the shares were sold to a Swiss company, Oeri Finanz.

Mr Lloyd-Jacob said that "after we had friendly discussions with them [Oeri] they concluded that they should have voted yes." He said most of the Oeri stake had now been sold on the open market – "which is probably why the Butte share price has been rather weak recently."

Another sizeable block of Butte shares, 7 per cent, is controlled by Edinburgh-based Waverley Mining Finance. Mr Willie McLucas, Waverley's managing director, said this stake was not voted. He said: "If the board was defeated, what would I have achieved? Waverley has other, positive, constructive things to concentrate on at the moment." However, he made it clear that he remained unhappy. "The board believes in its strategy but that strategy is crucifying the ordinary shareholders."

NEWS DIGEST

Burlington improves to £210,000

Burlington Group, the investment holding company, lifted pre-tax profits from £171,000 to £210,000 in the year to December 31.

The result included a £132,000 (£69,000) surplus on the disposal of fixed asset listed investments.

An increased single dividend of 0.6p (0.5p) is proposed, payable from earnings per share of 1.3p (1.01p).

Net asset value per share, taking investments at market value, improved from 18.13p to 20.45p.

Stanelco tumbles £84,000 into the red

Stanelco, the USM-quoted maker of thermal processing equipment, announced pre-tax losses of £84,000 for the half year to August 31.

The result, which was achieved on turnover of £638,000 (£791,000), compared with profits of £14,000 and included exceptional relocation costs of £15,000.

Losses per share came through at 0.01p (nil).

There is no interim dividend and directors do not expect to declare a full-year payment.

TR Pacific net assets surge

Net asset value per share of TR Pacific Investment Trust rose from 114.6p to 242.4p over the 1993 year.

Net revenue declined from £490,000 to £475,000, equal to earnings of 0.709p (0.731p) per share. A same-again single dividend of 0.35p is recommended. A 1-for-1 scrip issue is also proposed.

The trust's investment policy is targeted towards capital growth and revenues are normally low. A 14 per cent improvement in gross revenue to £2.33m (£2.04m) was more than offset by higher costs – interest charges increased to £547,000 (£282,000).

Directors said the rise in Pacific stock markets was "broadly based with strong gains achieved across the region". Hong Kong remains the trust's largest investment area.

They added that the outlook for economic growth and company profits "continues to be encouraging in most countries and... long term, the prospects for the region and its stock markets continue to be excellent".

Fairey sells surplus land for £2.8m

Fairey Group has sold surplus land next to its manufacturing facilities at Tamworth, Staffordshire for £2.8m, the amount at which it was valued in the balance sheet for December 31 1993.

The surplus is expected to be £2.1m. Proceeds will be added to cash resources.

Bourne End makes £21m purchases

Bourne End Properties is buying three investment properties in Cardiff from Rightacres for a total of £21m.

Bourne End said the properties would increase cash flow immediately by £400,000. One has an income of £928,000, with income on another expected to rise to £525,000 during this year. The third is still being built and has a guaranteed rental of £250,000.

Baring Tribune net assets up 31%

Baring Tribune Investment Trust had a net asset value of 417.9p at December 31, an improvement of 31 per cent over the 318.7p standing 12 months earlier.

Interest income for the year fell to £310,000 (£717,000) and available revenue declined from a restated £3.65m to £3.27m.

Earnings emerged at 6.38p (7.12p). A proposed final dividend of 4.9p makes a 6.6p (6.45p) total.

Enlarged Mersey Docks improves 38% to £21m

By Ian Hamilton Fazey, Northern Correspondent

Mersey Docks and Harbour, which last September acquired the Medway ports of Chatham and Sheerness to become the UK's second largest port group, made profits of £20.9m before tax in 1993, a rise of 38 per cent.

Medway's profits contribution was £1.27m for November and December only. This means Port of Liverpool profits were still a record £19.6m, against £15.2m in the previous year, restated from £16.4m under FRS 3.

Mr Trevor Furlong, chief executive, said Medway's operating profits last year were £10.6m, compared with £10.1m forecast at the time of the takeover. Growth in trade is continuing in both the Medway and the Mersey. The profits base for measuring 1994's progress will be £30.2m.

Total turnover rose 14 per cent to £98.4m (£86.4m), with Port of Liverpool cargo up 5 per cent to 29.3m tonnes. This, the best throughput for three decades, was achieved with only 400 dockers. Throughput broke the 10m tonnes barrier in 1987 and passed 20m tonnes in 1989.

Break-bulk general cargo was up 21 per cent, grain ahead 16 per cent, and containers up 3 per cent, despite tight competition on North Atlantic routes.

Liverpool's assault on Irish Sea markets continued. Mr Furlong now claims a third of total cargoes and 60 per cent of unitised or container traffic between Dublin and the UK. He believes Liverpool's position near the time-centre of Britain's motorway network gives it an edge over the more remote ports of Stranraer and Holyhead because of tachograph restrictions on truck drivers.

With its own terminals at Dublin and Belfast, the group plans faster turn-round of Irish Sea roll on-roll off ships by building a £10m floating berth at Birkenhead to save locking in and out of port.

The project is stalled at present because Merseyside Development Corporation, a government agency, wants a mixed retail, commercial and residential property complex developed where the group wants the floating berth's container terminal.

Last year's 2-for-5 rights issue, which was used to largely fund the Medway purchase, raised £79m, compared with a budgeted £75.6m. The group has invested in a £500,000 extension to Sheerness's quayside storage facilities.

With earnings per share up 33 per cent from an adjusted 15.05p to 19.96p, a proposed final dividend of 6.15p lifts the total 20 per cent to 9p (7.5p).

Mr Furlong said the group would continue to search for suitable, complementary acquisitions. The government, which still owns a 20 per cent stake from the financial rescue of the defaulting Mersey Docks and Harbour Board in 1970, has said it has no intention to sell in the current financial year.

Stripped down and on the recovery road

Paul Cheeseright on the progress at Leyland Daf Vans since its MBO last year

Leyland Daf Vans, which went into receivership a year ago and is now the largest UK-owned automotive manufacturer, will shortly announce 1993 profits which will reflect both the recovery in its corporate fortunes and a limited revival of the panel van market.

The company, operating from its plant at Washwood Heath, Birmingham, has been profitable since the first day of the £40m management buy-out from the receivers in April 1993. Sales in the eight months since then have been about £80m. The turnover target for 1994 is £150m.

"We have achieved all of the commitments we gave to the institutions," said Mr Allan Amey, chief executive. The main equity investor in the company is 3i, the venture capital group. Financing came from the Royal Bank of Scotland and United Dominions Trust.

Last March, when the company was in receivership following the failure of Daf, its Dutch parent, its market share of the UK panel van market slipped to 6 per cent. Once production had resumed and the new company had sorted out its dealership arrangements, market share started to rise, averaging 13.3 per cent a month for April to December 1993.

Last December Leyland Daf's market share was 19 per cent and the company calculates it is now running at about 16 per cent.

Allan Amey: all activities have been concentrated at the Washwood Heath factory in Birmingham

Mr Amey said that last August the total size of its market was 5 per cent smaller than a year before, but since then it had been between 10 and 15 per cent larger. In the second half of 1993 smaller businesses and smaller local authorities, which had been delaying purchase decisions, came back into the market. Fleet purchases remained steady.

"I'm not saying the market is buoyant but we can see more activity in the last four months," said Mr Amey.

Yet, he added, and this is characteristic of the motor sector, "margins have been very, very tight, because to a large degree we've been suffering from what's going on in Europe." That is, declining markets are encouraging competitors like Mercedes Benz and Volkswagen to push into the UK market.

However, this has not stopped expansion at Leyland Daf, which has just announced plans to raise production from 200 to 250 vans a week and to take on 50 people. During the receivership, the workforce fell by 800 to about 1,000.

Rather, the response to the margins pressure has been, as elsewhere in the sector, to bear down on the cost base. "The break-even point is at least 30 per cent lower than it was in the old organisation," Mr Amey calculated. The new company has stripped away overheads associated with its old parent, consolidated all its activities at Washwood Heath and introduced zero-based budgeting.

Although the new company's re-established position in the panel van market has defied the fears expressed at the time of the buy-out that the company would be too small to survive, there are problems it is being forced to deal with.

First, its press shop, one of the largest in Europe, which contributes 12 per cent of total turnover and half of whose activities are supplying outside customers like Land Rover and Leyland Trucks, is only working at 60 per cent of capacity. It needs more customers.

Second, the future of the company depends on the development of the 200 and 400 series of vans, its staple output. Some £8m of a £30m development plan has already been committed. Meanwhile, Leyland Daf is seeking to consolidate its market position by offering customer-specified variants of its basic models.

Third, Mr Amey noted that the company must strengthen its relations with its key component suppliers. It is trying to halve the number of suppliers with whom it must deal to about 200. Leyland Daf needs the expertise of its systems suppliers in the development of new models, but it is not large enough to coerce co-operation. It will have to forge partnerships rather than force them as has happened in parts of the car industry.

Finally, Leyland Daf needs to strengthen a dealer network which was thrown into confusion by the receivership and which in any case tends to handle the vans as one of a number of franchises. Leyland Daf wants the dealers both to sell the vans and market the company.

St Modwen at £3.5m and expects growth

By Nigel Clark

Pre-tax profits at St Modwen Properties doubled to £3.5m in the year to November 30, compared with £1.71m.

Mr Stanley Clarke, chairman, said that in the present year demand was buoyant for attractive properties and development profits were already ahead of the £890,000 (£1.45m) for the whole of 1992-93.

He added that despite general sluggishness in tenant demand investment income surplus continued to grow.

However, the shares slipped 3p yesterday, ending the day at 57p.

The result was achieved in line with the company's policy of increasing investment income, which at £7.82m (£6.75m) now exceeds overheads, dividends and related tax.

The annual rent roll rose 29 per cent to £9.7m (£7.5m) following the purchase of two substantial retail properties in west and south-east London and progress in letting empty properties.

Turnover fell from £18.5m to £17m as a result of a fall in property development to £8.48m (£10.7m). Rental income, however, was higher at £8.33m (£7.11m).

The pre-tax figure was helped by £758,000 (£415,000) profit on sale of investment properties. There was also a fall of £1.07m in the interest charge to £3.82m.

Net assets per share improved from 35p to 39p over the year. There was an increase of £3.44m in the investment property portfolio following a valuation.

Earnings per share doubled to 2.2p (1.1p). A final dividend of 0.7p is recommended for an increased total of 1p (0.6p).

Armitage Bros shows advance to £810,000

Shares in Armitage Brothers, the pet products manufacturer, yesterday rose 35p to 215p as the company reported a 13 per cent rise in pre-tax profits from £715,000 to £810,000 for the 28 weeks to December 12.

The improvement was achieved on turnover up from £12.9m to £13.4m which was, said Mr Russell Taylor, chief executive, the result of new business rather than sales price increases.

He said that while the economic situation remained fragile the company was continuing to put money into marketing and product development in the UK and overseas, hoping to build on the successes of the past few years.

Earnings per share came out at 13.5p (11.9p).

The interim dividend is raised from 2.6p to 2.7p.

NEWS DIGEST

Howard recovers to £37,000

Shares of Howard Holdings yesterday firmed 4p to 29p, after the property development and plant hire group returned to the black at the interim stage.

On turnover of £3m, which compared with sales of £1.47m last time and almost matched the £3.07m achieved in the group's last full year, pre-tax profits for the six months to end-October amounted to £37,370, against a £197,771 loss.

The outcome also reflected reduced interest charges of £152,739 (£212,072).

Mr John Howard, chairman, said the property development side "now appears to be reaping the financial benefit of a change in emphasis from building flats to houses".

After a nil tax charge, earnings per share emerged at 0.15p (losses of 0.75p).

Inoco in the black with £2.56m

Inoco, the USM-quoted property group, achieved pre-tax profits of £2.56m in 1993, compared with losses of £4.47m, restated in accordance with FRS 3. There were profits of £834,000 at the halfway stage.

The turnround was largely the result of a reduction in interest charges from £7.2m to £4.4m, reflecting net repayment of £11.9m of bank loans and lower bank base rates. In addition, the 1992 figures included exceptional losses of £4.1m on trading stocks and fixed assets.

Turnover, being gross rents received, improved to £9.97m (£9.46m) and operating profits rose from £5.25m to £6.81m.

Earnings per share worked through at 1.21p (2.14p losses).

Kwik-Fit expands with tyre fitting buy

Kwik-Fit has acquired a 70 per cent interest in Town & Country Tyre Services, the UK's largest mobile car tyre fitting company.

Town & Country operates a fleet of 27 vehicles in and around London, which Kwik-Fit intends to expand to 150 vehicles.

Kwik-Fit has also completed the sale and leaseback of 20 centres to Dukeminster, a property investor, on 30-year leases with rents of £1m a year. Consideration was £10.3m cash.

Hartstone sale approved

Shareholders of Hartstone Group have approved resolutions regarding the sale of Cogetex in France and part of the UK hosiery business, which includes Bear Brand, to Courtaulds Textiles for £45.4m.

Hartstone breached its banking covenants last summer and its current standstill agreement with its lenders expired yesterday.

The company said no further formal standstill arrangement had been put in place because it believed conditional medium term facilities, which would extend until January 1996, would be forthcoming within the next ten days.

Whitchurch placing oversubscribed

Whitchurch Group has raised £1.28m through a placing of shares at 47p which values the company at £6.27m.

The meat processing and distribution group said the placing was "well oversubscribed", and the shares, dealt under Rule 535(2), opened for dealings yesterday at 51½p.

Proceeds will be used to fund expansion.

COMMODITIES AND AGRICULTURE

Platinum and palladium hit 6-month highs

By Kenneth Gooding, Mining Correspondent

US investment funds turned their attention to platinum and palladium yesterday, pushing their prices to the highest levels for six months.

The potential for turmoil during April's elections in South Africa, the biggest producer of platinum and the second-largest of palladium, was cited by traders as one reason for the funds' interest. Traders also suggested the strength of the yen against the US dollar encouraged speculative Japanese buying.

The platinum price was "fixed" in London at $400.50 a troy ounce, up $6.75, while palladium's was up $2 at $135.50.

Mr Michael Steel, market research director for Johnson Matthey, the world's biggest platinum marketing group, pointed out that the South African mines were a long way from potential trouble spots and said JM did not expect any major disruption.

There had been no change in the fundamental situation: demand from car makers for both metals (used in anti-pollution catalysts) was weak and industrial demand was poor. JM still believed platinum had been in surplus by 190,000 ounces last year. Palladium had been expected to show a 100,000-ounce deficit but Russia, the biggest producer, had sold heavily at the end of 1993.

'Public opinion must be final arbiter on biotechnology'

By Alison Maitland

Revolutions in biology could be central to future wealth creation in farming, a leading agricultural scientist said yesterday. But Prof Tom Blundell, director general of the UK government-funded Agricultural and Food Research Council, warned they would succeed only if backed by public opinion and by a shift in farmers' thinking.

"The new technologies can improve the quality of food, decrease the use of agrochemicals and assist diversification into other products such as fibres, specialist chemicals, pharmaceuticals and fuels," he said in the fourth annual lecture to the Royal Agricultural Society of England.

Introduction of genes from wild plants into commercial crops to provide resistance to pests and diseases would probably be acceptable. But genetic engineering of livestock would be resisted.

"It is clearly the responsibility of the scientist to keep the public informed," he said. "Ultimately it must be the public that makes decisions about the use of biotechnology and evaluates its social, legal and economic repercussions."

However, there might be occasions when introduction of new genes into farm animals should be considered acceptable. "This approach can provide very valuable models for human disease and may assist the use of animal – probably pig – organs as replacements for human organs such as heart or kidneys."

Prof Blundell said too much emphasis had been placed on food production, rather than efficiency, quality, market demands and diversification.

Although farmers were beginning to respond more directly to the needs of supermarkets, the development of non-food crops would mean they would also have to "interact with chemicals, construction and energy industries".

Prof Blundell criticised "further savage cuts" in Ministry of Agriculture funding, which he said "undermine the most forward-looking of agricultural engineering research".

He also said the economics of non-food crops had been misjudged. "Any new product has substitution costs associated with introduction of new industrial plant, which in most cases is oriented towards fossil-fuel products".

"There is also a tendency to look at opportunities for large-scale production, such as paper and textiles, rather than high value-added specialist products such as chemical intermediates in cosmetics, plastics or pharmaceuticals."

Consumers divide and rule in the iron ore market

Bob Jones reports on the outcome of one of the toughest-ever price-setting seasons

The world iron ore industry emerged last week from one of the toughest price settlement seasons it had ever encountered. The February 8 agreements between Australia's Hamersley Iron, a subsidiary of the CRA group, and its Japanese and British customers broke three-months of deadlock, but reaction among Hamersley's rival suppliers has been hostile.

In the most important settlement, covering 1994-95 Japanese deliveries, Hamersley reluctantly accepted price drops of 9.5 per cent for the standard fines grade and 5.9 per cent for its higher quality lump ore. In return the Japanese steel mills agreed to take an unchanged volume of 18m tons, despite their stated need to reduce next fiscal year intake overall by 16 per cent.

Four Australian and Brazilian miners followed the Hamersley lead in Japan and agreed similar price reductions, but other suppliers have condemned the deal. Recent price negotiations have seen a pattern established in which a single supplier agrees a seemingly unfavourable price in return for volume. All other suppliers are penalised because consumers tend to use up all their bonus allocations in the first settlement.

The miners have been arguing that demand is now stronger than this time last year, and their delivery figures bear this out. Only two miners recorded a decline in deliveries in 1993.

The steel mills' divide-and-rule tactics this year derive from the huge losses they are making in the miners' two major markets, Europe and Japan. Japanese steel losses could total Y240bn (£1.57bn) in this fiscal year. Germany's largest steelmaker Thyssen Stahl alone lost DM1.2bn in 1992-93. European Union efforts to reduce steel industry capacity are encountering huge resistance from private sector mills, which accuse Brussels of subsidising state-owned industries in Italy Spain and Germany's new Lander.

So the miners have been forced to accept that, as iron ore is at least 95 per cent dependent on the steel industry for sales, the ability of the mills to pay is paramount. They are bitterly upset that the usual supply and demand arguments have been jettisoned this year. In reply the Japanese mills have argued that there are 20m tonnes of over-capacity in the iron ore industry and that shipment problems are merely logistical.

There is usually a time lag between improvements in steel and iron ore prices. Hamersley's sales and marketing director, Mr Roddy Kinkead-Weekes, stated after the Japanese agreement that "the underlying demand for steel and hence for iron ore has firmed and will improve further as the world economy improves". If history is any guide, booming steel output in North America should presage strong recovery in Europe. But European improvement has been too slow and too late to help miners.

Even the argument of increased Chinese demand has left the mills unmoved. During the last decade Beijing has become firmly of the opinion that it is better to import iron ore to make the finished product. Chinese imports have risen from 14.3m tonnes in 1990 to an estimated 28m-30m last year. Further growth can been expected in the next few years, provided China resolves problems at its ports.

Not all is gloom. The higher quality pellet and lump grades have seen demand turn round. In Europe and Japan the new lump premium is 8.7 per cent higher. Pellet demand is rising fast: one small producer in Norway saw shipments rise by almost half last year.

But pellet prices are likely to fall all the same. Of the two basic types, blast furnace material is suffering from a market in long term decline as the scrap-based mini-mill becomes ever more popular. The only hope of a roll-over of prices is the direct reduction market, whose customers are mini-mills. Expansion of pelletising capacity is under way in India and Sweden and under consideration in Australia and the Middle East. For LKAB of Sweden, saddled with the investment burden of a new 4m-tonne pellet plant to open next year, this year's settlement has been a particular blow.

Bob Jones is a Metal Bulletin deputy editor

India favours sugar imports while awaiting crop revival

By Kunal Bose

The Indian food and commerce ministries have reacted favourably to a sugar industry call for the import of 500,000 tonnes of raw sugar in the current season (October-September). According to industry officials, the imports can be matched by forward sales from the bumper sugar crop expected next season; while refining the raws for local consumption will utilise the Indian mills' considerable idled capacity.

Earlier, the federal government had allowed the import of raw sugar by the Indian Sugar and General Industry Export Import Corporation, the industry's trading arm, so that it could maintain exports to neighbouring countries. The government intends that sugar exports should become a permanent feature of India's foreign trade.

The need to import sugar for domestic consumption has been highlighted by the reduction of the current season's production estimate from 11m tonnes to 10.8m. Moreover, the government, in its eagerness to keep the open market sugar prices in check, has started making liberal monthly releases of the commodity. According to the Indian Sugar Mills Association, it should be possible to import raw sugar from Thailand, though the prices will be high.

This is the second year in a row that India has suffered a major setback in sugar production. Last year, the production declined to 10.6m tonnes from 13.4m in 1991-92. According to industry officials, a combination of factors, including a 3.5 per cent decline in land under cane cultivation is responsible for this season's shortfall.

"The farmers were not keen to grow cane as last year, the majority of sugar factories were taking too long a time to clear the cane bills," explains Mr O.M. Dhanuka, spokesman for Isma. "At one point the industry's payment backlog on the cane account was around Rs5bn (£108m)."

The ailing Barbadian industry, now being managed by Booker Tate of the UK, is to be restructured to allow it to meet export quota obligations in the European Union and the US, writes Canute James in Kingston, Jamaica.

Production of 54,000 tonnes last year was the lowest in 40 years and forced the government to import sugar for the domestic market while trying to fulfil its quotas from local production.

The industry, which is heavily indebted to a government-owned bank, is receiving $11.5m in new loans from the Caribbean Development Bank to help the restructuring, which will include the establishment of a new company to oversee all aspects of the industry.

The intention is to lift production to 75,000 tonnes a year in five years, says Mr David Bowen, the island's agriculture minister. This will allow Barbados to meet its European and US quotas, and domestic demand.

To make matters worse for the sugar factories, when the overall supply of raw material is not comfortable, gur and jaggery manufacturers are reported to indulge in "large scale poaching into cane grown in the captive fields of sugar mills". In a normal year, the gur and jaggery units use about 36 per cent of the cane production.

The industry officials are quite hopeful, however, about the prospects for next season. As cane growing states have on an average raised the minimum cane price by Rs10 a quintal (100lb) for the 1993-94 season and the sugar mills are clearing the cane bills on time the growers' interest in the crop has revived. "Both the autumn and spring cane plantations are highly encouraging. We are expecting a 20 per cent increase in cane production during 1994-95," says Mr Dhanuka.

The 1994-95 season will open with low stocks of about 2m tonnes of sugar, against 3.22m tonnes for 1993-94. But this should not create a supply problem as most Indian sugar factories should be able to start crushing in October itself because of the expected improvement in raw material availability. And it is confidently expected that the federal government will offer a package of incentives including excise relief and the granting of a higher percentage of sugar for open market sales to the mills, which will start production early.

The industry expects that sugar production next year may top 1991-92's record of 13.4m tonnes.

MARKET REPORT

Russian boost for aluminium

A Russian official's assurance that his country could meet its target of 300,000 tonnes of annual output cuts by end-April rallied the ALUMINIUM market yesterday and that helped to cushion falls in other base metals.

The three months delivery aluminium price, which had earlier dipped to $1,230 a tonne, closed at $1,252.50, up $2 on balance.

Three months COPPER rallied from a low of $1,839 a tonne to close at $1,844.50, down $6.

Compiled from Reuter

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+11,125	to 2,556,650
Aluminium alloy	-180	to 46,780
Copper	-5,200	to 578,200
Lead	+3,225	to 328,125
Nickel	+390	to 131,742
Zinc	+8,450	to 1,022,475
Tin	-20	to 21,540

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1229.5-30.5	1252-3
Previous	1228-9	1250-1
High/low		1263/1234
AM Official	1215-5.5	1238-9
Kerb close		1263-4
Open int.	277,939	
Total daily turnover	78,831	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1095-1105	1115-25
Previous	1101-4	1120-2
High/low		1120/1100
AM Official	1085-8	1105-8
Kerb close		1123-8
Open int.	3,600	
Total daily turnover	621	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	451-2	465-6
Previous	474.5-5.5	488-9
High/low		480/463
AM Official	452-3	466-6.5
Kerb close		468-9
Open int.	34,608	
Total daily turnover	11,620	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5680-85	5740-45
Previous	5710-15	5770-75
High/low		5780/5705
AM Official	5659-60	5715-20
Kerb close		5730-40
Open int.	53,355	
Total daily turnover	14,396	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5385-95	5440-50
Previous	5365-75	5420-25
High/low		5510/5385
AM Official	5340-45	5395-400
Kerb close		5500-05
Open int.	19,258	
Total daily turnover	4,273	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	934.5-5.5	953.5-54
Previous	947.5-5.5	967-8
High/low		965/948
AM Official	934.5-5.5	954-4.5
Kerb close		957-8
Open int.	104,976	
Total daily turnover	24,631	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1820-1	1844-5
Previous	1827.5-8.5	1850-1
High/low		1853/1830
AM Official	1807-7.5	1829.5-30
Kerb close		1853-4
Open int.	255,670	
Total daily turnover	69,056	

■ LME AM Official £/$ rate: 1.4760
LME Closing £/$ rate: 1.4750

Spot:1.4710 3 mths:1.4653 6 mths:1.4607 9 mths:1.4575

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Feb	86.20	+1.40	86.20	84.10	462	53
Mar	86.25	+1.25	86.70	84.00	28,255	3,687
Apr	86.25	+1.20	84.45	84.15	820	9
May	86.20	+1.25	86.50	83.95	19,257	1,869
Jun	86.20	+1.25	84.60	84.10	842	4
Jul	86.20	+1.25	86.55	84.05	7,161	1,053
Total					66,663	6,802

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	384.30-384.70	
Opening	384.30-384.70	
Morning fix	384.50	260.837
Afternoon fix	385.00	261.105
Day's High	385.30-385.70	
Day's Low	381.50-382.00	
Previous close	382.50-383.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.98	6 months	3.06
2 months	3.00	12 months	3.22
3 months	3.01		

Silver Fix	p/troy oz.	US cts equiv.
Spot	361.20	532.50
3 months	365.55	536.60
6 months	369.75	541.35
1 year	378.40	551.95

Gold Coins	$ price	£ equiv.
Krugerrand	386-389	260-263
Maple Leaf	394.95-397.45	-
New Sovereign	90-93	60-63

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Feb	383.8	-0.1	385.4	384.0	552	230
Mar	384.2	-0.1	385.3	383.6	-	-
Apr	385.5	-0.1	388.2	383.0	88,079	18,933
Jun	387.5	-0.1	390.0	384.3	29,094	286
Aug	389.7	-0.1	392.0	390.2	5,057	78
Oct	392.1	-0.1	393.6	393.6	4,223	1
Total					N/A	N/A

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Apr	404.0	+6.3	406.0	400.0	14,448	2,926
Jul	404.3	+6.3	406.5	401.0	3,004	80
Oct	404.8	+6.1	406.5	402.0	414	29
Jan	405.8	+6.1	408.0	407.5	437	208
Apr	406.8	+6.1	-	-	210	204
Total					18,513	3,449

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	136.80	+4.20	138.50	135.50	1,928	121
Jun	138.55	+4.05	138.75	135.25	2,750	197
Sep	138.55	+4.05	-	-	157	11
Dec	138.55	+4.05	-	-	120	-
Total					4,955	329

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Feb	525.5	-8.8	-	-	-	-
Mar	526.2	-8.8	535.0	521.0	66,458	17,954
May	528.9	-8.8	539.0	524.0	24,867	2,821
Jul	533.3	-8.8	542.5	528.0	10,144	539
Sep	536.9	-8.8	541.0	535.0	3,316	34
Dec	542.2	-8.8	550.5	540.5	7,982	335
Total					119,748	22,603

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	14.15	+0.02	14.30	14.08	63,657	45,994
Apr	14.34	+0.02	14.47	14.30	82,689	37,415
May	14.60	+0.02	14.70	14.57	43,323	13,963
Jun	14.86	+0.02	14.94	14.84	58,719	9,198
Jul	15.09	-	15.15	15.08	22,928	2,137
Aug	15.32	-	15.43	15.32	13,811	2,0742
Total					439,749	116,106

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	13.31	-0.05	13.51	13.28	70,053	16,436
May	13.51	-0.08	13.68	13.50	23,547	4,131
Jun	13.70	-0.08	13.83	13.70	12,045	931
Jul	13.94	+0.01	14.00	13.89	8,919	231
Aug	14.12	+0.06	14.17	14.12	3,938	4
Sep	14.34	+0.09	14.34	14.34	2,781	130
Total					125,022	24,597

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	47.45	-0.37	48.40	47.45	42,625	26,820
Apr	44.35	+0.05	44.65	44.10	39,900	12,497
May	43.45	+0.10	43.90	43.10	37,471	2,987
Jun	43.60	+0.15	43.70	43.20	23,634	3,087
Jul	44.05	+0.20	44.20	43.80	15,681	1,120
Aug	45.10	+0.50	45.10	45.10	8,331	82
Total					189,129	49,711

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	140.75	-0.25	142.00	140.25	38,417	3,914
Apr	139.50	+0.25	141.25	139.50	19,126	2,033
May	138.00	-	140.25	138.75	12,865	657
Jun	140.50	+0.75	140.75	140.00	15,086	340
Jul	142.00	+0.25	142.25	141.75	9,427	336
Aug	144.00	-	144.50	144.00	4,065	181
Total					114,282	7,850

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	2.238	-0.016	2.270	2.135	20,181	14,213
Apr	2.170	-0.010	2.200	2.140	16,039	4,795
May	2.130	-0.010	2.155	2.115	11,912	2,161
Jun	2.115	-0.013	2.135	2.110	9,526	1,765
Jul	2.110	-0.010	2.125	2.100	9,090	839
Aug	2.120	-0.007	2.125	2.110	7,824	115
Total					131,571	15,929

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	42.05	+0.44	42.40	41.85	28,086	14,310
Apr	44.50	+0.29	44.75	44.15	32,922	11,719
May	45.35	+0.21	45.55	45.15	37,470	3,821
Jun	45.85	-0.04	46.10	45.80	14,601	671
Jul	46.20	+0.20	46.25	46.10	3,409	181
Aug	46.10	+0.15	46.00	46.00	3,112	105
Total					121,039	30,847

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	98.50	-0.05	100.00	98.30	1,060	99
May	100.05	+0.10	99.95	99.75	1,922	95
Jun	100.00	+0.20	100.00	99.75	324	47
Sep	90.15	+0.05	90.10	90.10	202	10
Nov	91.05	+0.05	91.00	91.00	672	15
Jan	92.90	+0.10	92.80	92.75	245	113
Total					4,641	416

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	371/0	-8/0	378/0	369/4	89,615	20,910
May	358/6	-5/6	363/0	357/4	48,335	7,340
Jul	344/6	-2/4	346/0	343/4	81,860	12,150
Sep	345/2	-2/6	347/0	344/4	13,580	885
Dec	353/2	-3/2	354/4	351/6	17,525	450
Jul	338/0	-2/0	338/0	337/4	50	20
Total					250,945	41,735

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	293/4	-4/4	298/6	293/2	380,390	108,335
May	299/2	-4/6	302/6	298/0	524,080	76,720
Jul	301/4	-4/4	304/4	301/2	450,950	51,168
Sep	285/6	-3/2	288/0	285/2	101,660	6,165
Dec	270/2	-2/2	271/6	270/0	245,875	26,005
Mar	276/0	-2/4	277/6	275/6	15,620	1,175
Total					1,724M	271,775

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	103.20	-0.05	103.25	103.25	404	35
May	103.00	-	-	-	220	-
Sep	91.75	-0.25	-	-	102	-
Nov	93.70	+0.30	-	-	63	-
Jan	95.50	+0.25	-	-	3	-
May	98.75	-0.75	-	-	-	-
Total					792	35

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	677/4	-8/2	682/0	677/0	249,860	90,380
May	684/2	-5/2	688/4	683/4	236,730	43,095
Jul	687/6	-5/0	691/2	687/2	184,220	24,420
Aug	681/2	-3/6	684/2	681/0	34,310	2,340
Sep	664/6	-0/2	666/0	664/0	19,705	1,280
Nov	651/4	+1/2	653/0	649/0	108,645	15,985
Total					849,735	178,375

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	28.02	-0.42	28.38	28.01	25,131	3,918
May	28.09	-0.38	28.44	28.07	27,125	5,493
Jul	28.01	-0.34	28.29	28.01	20,728	2,520
Aug	27.64	-0.28	27.85	27.61	6,548	178
Sep	27.20	-0.18	27.40	27.20	5,578	298
Oct	26.45	-0.02	26.60	26.45	4,443	417
Total					98,847	13,838

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	196.8	-1.8	197.9	196.5	28,109	7,254
May	198.9	-1.0	197.7	198.5	23,648	4,221
Jul	197.4	-0.7	198.1	197.2	18,320	2,106
Aug	196.4	-0.4	196.8	196.3	7,270	266
Sep	194.4	-0.1	194.8	194.3	4,700	286
Oct	192.7	-0.3	193.0	192.5	2,290	188
Total					91,637	14,793

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	160.0	-17.5	-	-	37	-
Apr	109.0	-2.2	109.5	109.0	1,756	20
May	126.0	-2.3	-	-	1,011	-
Jun	130.0	-	-	-	2	-
Nov	80.0	-5.0	-	-	-	-
Mar	105.0	-	-	-	-	-
Total					2,804	20

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	1152	+9	1160	1150	133	12
Mar	1176	+6	1175	1170	329	16
Apr	1235	+16	1232	1210	1,252	181
Jul	1112	+17	1112	1091	219	169
Oct	1256	+8	-	-	243	-
Jan	1305	+10	-	-	74	-
Total					2,260	358

	Close	Prev
BFI	1154	1155

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 1,675-1,730. Bismuth: min. 99.99%, tonne lots 2.25-2.45. Cadmium: min. 99.5%, 0.60-0.68 (0.60-0.70). Cobalt: MB free market, 99.8%, 20.00-22.00 (20.50-22.00); 99.3%, 16.20-17.20 (17.50-18.50). Mercury: min. 99.99%, $ per 76 lb flask, 90-100. Molybdenum: drummed molybdic oxide, 2.75-2.80. Selenium: min 99.5%, 4.00-4.75 (4.15-4.75). Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 27-39. Vanadium: min. 98%, cif, 1.35-1.45. Uranium: Nuexco exchange value, 7.00.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	884	-1	893	880	26,287	993
May	896	-1	905	891	19,021	2,655
Jul	908	+1	916	903	11,715	536
Sep	922	-	932	919	10,958	226
Dec	936	-1	945	935	14,558	1,778
Mar	951	+1	952	947	25,778	108
Total					125,381	6,301

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1068	-15	1099	1064	3,738	1,418
May	1094	-19	1125	1088	35,002	2,785
Jul	1116	-22	1152	1113	15,783	441
Sep	1143	-20	1172	1138	8,115	114
Dec	1173	-19	1184	1170	6,822	27
Mar	1195	-23	1233	1233	7,943	-
Total					87,223	4,805

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Feb 14 Daily	871.23	875.84
Feb 15 10 day average	867.53	870.50

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1210	+15	1211	1184	8,103	1,240
May	1213	+17	1216	1194	14,474	1,115
Jul	1209	+17	1211	1190	6,092	814
Sep	1212	+14	1216	1200	3,130	116
Nov	1214	+17	-	-	3,163	-
Jan	1209	+12	-	-	3,864	-
Total					38,832	3,285

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	76.50	+1.35	77.00	75.50	14,681	4,339
May	78.10	+1.50	78.50	76.85	22,590	4,182
Jul	79.40	+1.40	79.80	78.35	5,244	636
Sep	80.65	+1.15	81.00	79.80	4,037	177
Dec	81.45	+0.70	82.30	81.20	2,643	44
Mar	82.80	+0.95	83.20	83.20	906	12
Total					50,119	9,388

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
Feb 14 Comp. daily	72.11	72.18
15 day average	71.09	70.93

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	11.20	-0.24	-	-	1,198	-
May	11.72	-0.30	-	-	1,274	-
Jul	12.01	-0.26	12.04	12.04	2,903	50
Oct	11.84	-0.18	-	-	30	-
Total					5,403	50

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	308.80	-2.80	310.00	306.50	6,929	336
Aug	306.30	-3.20	309.00	306.50	2,790	70
Oct	294.30	-3.20	296.50	294.50	2,657	57
Dec	292.60	-2.70	292.80	292.80	111	4
Mar	292.60	-2.80	292.80	292.80	117	4
May	294.80	-3.00	-	-	27	-
Total					12,631	474

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	10.97	-0.24	11.20	10.95	29,577	10,742
May	11.43	-0.25	11.67	11.42	55,155	15,813
Jul	11.49	-0.22	11.68	11.48	22,107	3,879
Oct	11.24	-0.21	11.41	11.23	18,814	2,262
Mar	11.16	-0.19	11.34	11.16	5,123	1,371
May	11.21	-0.11	11.20	11.20	477	62
Total					131,798	34,179

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	76.67	-0.05	77.30	76.30	10,853	3,897
May	77.04	-0.06	77.45	76.60	22,390	6,530
Jul	77.39	+0.08	77.65	77.00	10,383	1,510
Oct	73.20	+0.45	73.44	72.75	2,162	199
Dec	70.68	+0.28	70.70	70.25	9,582	1,095
Mar	71.13	+0.13	71.05	71.05	222	8
Total					55,690	13,239

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	109.50	-0.25	110.00	109.30	8,520	1,946
May	112.40	-0.10	112.80	112.10	4,902	1,111
Jul	115.30	-0.20	115.70	115.30	2,963	269
Sep	118.00	-0.15	118.25	118.00	942	77
Nov	119.50	-0.35	119.95	119.50	748	164
Jan	121.45	-0.30	121.50	121.00	896	96
Total					18,999	3,664

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 15	Feb 14	month ago	year ago
1779.1	1783.4	1697.7	1767.5

■ CRB Futures (Base: 4/9/56=100)

Feb 14	Feb 11	month ago	year ago
227.29	227.25	226.06	-

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	74.725	+0.575	74.750	74.300	5,482	3,552
Apr	76.175	+0.025	76.375	76.075	38,224	10,926
Jun	74.575	-	74.750	74.475	20,315	3,931
Aug	73.375	-0.075	73.550	73.250	11,975	776
Oct	73.650	-0.125	73.800	73.575	9,157	1,334
Dec	73.675	-0.125	73.950	73.600	2,018	122
Total					87,842	20,652

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	48.675	-	48.900	48.550	1,712	499
Apr	50.175	+0.525	50.250	49.800	14,019	2,100
Jun	55.350	+0.400	55.400	54.950	7,694	725
Jul	54.450	+0.400	54.500	54.000	2,986	78
Aug	52.800	+0.250	52.900	52.500	2,526	106
Oct	48.550	+0.150	48.600	48.500	1,428	38
Total					31,781	3,561

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	56.700	+0.950	56.950	55.400	656	129
Mar	56.750	+0.125	57.100	55.200	2,419	701
May	57.700	+0.225	58.000	56.100	4,708	704
Jul	58.400	+0.300	58.400	56.500	2,190	187
Aug	55.700	+0.100	55.900	54.500	451	52
Total					10,424	1,773

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1225	57	83	24	37
1250	43	69	35	47
1275	31	46	48	60
■ COPPER (Grade A) LME	**Apr**	**Jul**	**Apr**	**Jul**
1800	74	108	26	41
1850	46	78	48	62
1900	26	55	78	88
■ COFFEE LCE	**Mar**	**May**	**Mar**	**May**
1100	110	125	-	12
1150	60	88	-	25
1200	14	58	4	45
■ COCOA LCE	**Mar**	**May**	**Mar**	**May**
850	34	68	-	22
875	13	53	4	32
900	2	40	18	44
■ BRENT CRUDE IPE	**Apr**	**May**	**Apr**	**May**
1400	16	43	-	-
1450	12	29	-	-
1500	4	17	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Apr)

		+or-
Dubai	$12.25-2.30w	-0.145
Brent Blend (dated)	$13.03-3.05	-0.375
Brent Blend (Apr)	$13.23-3.26	-0.22
W.T.I. (1pm est)	$14.26-4.28w	-0.175

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$153-155	
Gas Oil	$143-144	
Heavy Fuel Oil	$76-78	
Naphtha	$136-140	
Jet Fuel	$159-160	

Petroleum Argus Estimates

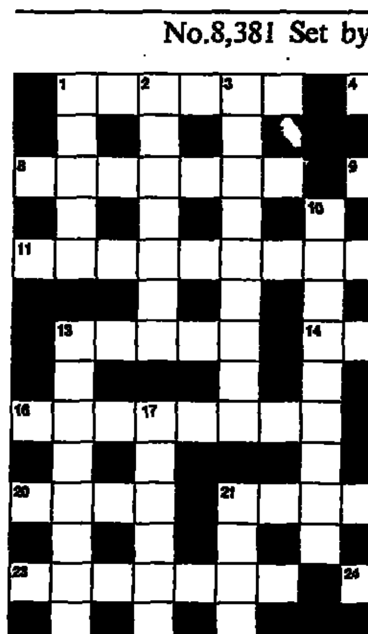
■ OTHER

Gold (per troy oz)♣	$384.50	+1.75
Silver (per troy oz)♣	527.5c	-7
Platinum (per troy oz.)	$400.50	+6.75
Palladium (per troy oz.)	$135.25	+2
Copper (US prod.)	90.0c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	14.36	-0.08
Tin (New York)	250.00c	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	122.65p	+1.31*
Sheep (live weight)†♠	116.15p	+6.04*
Pigs (live weight)	72.15p	+4.50*
Lon. day sugar (raw)	$277.2	+4.2
Lon. day sugar (wte)	$311.0	+2.0
Tate & Lyle export	$300.0	+2.0
Barley (Eng. feed)	£106.25z	
Maize (US No3 Yellow)	£128.0	
Wheat (US Dark North)	£143.5	
Rubber (Mar)♥	65.00p	
Rubber (Apr)♥	65.25p	
Rubber(KL RSS No1 Feb)	237.50m	+2
Coconut Oil (Phil)§	$580.0x	-2.5
Palm Oil (Malay.)§	$390.0x	-5
Copra (Phil)§	$368.0	
Soyabeans (US)	£208.0y	
Cotton Outlook A Index	80.70c	-0.50
Wooltops (64s Super)	380p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Feb/Apr w Apr. z Mar. t Feb/Mar. x Apr/May. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

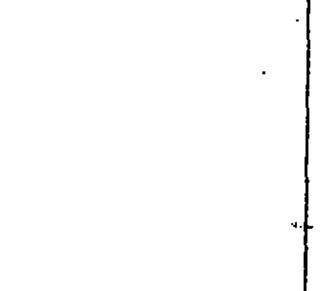
No.8,381 Set by ALAUN



ACROSS
1 Greeting the master sadly on return (6)
4 Hid in a cellar on a bed? (3,3)
8 Attack the modern method off poultry farming (7)
9 Shorten to the brusque "are ill" (7)
11 Early, while the pubs are still open (6,4)
12 The one that dropped on you (4)
13 Seeing that it's an offence, the chase has to be abandoned (5)
14 Then again, at the interior, try to frighten one (8)
16 Intensify when the hinge breaks (8)
18 The lady, on return, is quite herself (5)
20 A wood surround would be pretty (4)
21 Money paid to buy you security (7,3)
23 Has he been a prisoner many a time? (7)
24 Something to deliver and where to (7)
25 A double-cross for the Roman cardinal (6)
26 "Persons of distinction" in the speech doesn't sound at all good (6)

DOWN
1 Ante post (5)
2 Deflate, which is a disappointment (3,4)
3 A mere mix-up, the rep holds, in the contract (9)
5 Create a diversion that's deliberate ahead (5)
6 To find a tenant for it I got a woman (7)
7 Does it give the woodman a wan smile? (9)
10 Suppressing, once one's in the chair (7,3)
13 Attends to while one watches a fight (4,5)
15 Holding a cue and the rest (9)
17 Or get at when drunk to kill (7)
19 Pace the setter set? (7)
21 Power could (5)
22 Relieves, when you see standing outside (5)

Solution 8,380



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Equity market regains a measure of composure

By Steve Thompson

Four days of big losses in the UK equity market – totalling 76 points - were brought to a halt yesterday as share prices rallied strongly on the back of a bear squeeze and the continuing rally on Wall Street.

The FT-SE 100 index closed at the day's best level of 3,393.2, up 29.7. Second-line stocks put on a more muted performance, the FT-SE Mid 250 rising 17.9 at 4,028.5.

"There's been an element of decoupling between equities and gilts today, which has been seen as bullish for equities," said a leading marketmaker at one of the European securities houses.

The US market gained ground during London trading hours, rising 18 points on the Dow Jones Average and continuing the good performance in recent sessions. It was pointed out that the US index had almost recouped all the ground it lost in the single session when the Federal Reserve tightened monetary policy by increasing its Fed Funds rate by 25 basis points.

US bonds were said to have improved yesterday. Gilts closed above the day's lows after disappointing industrial output numbers for December increased hopes of a rate cut. The data showed manufacturing output down 0.5 per cent against most economists' forecasts of a rise of some 0.3 per cent.

The lower output figure plus a disappointing survey of distributive trades in the UK, released by the Confederation of British Industry, were said to have increased hopes that a further 25 basis points reduction in UK interest may be under consideration.

Account Dealing Dates			
*First Dealings:	Jan 31	Feb 14	Feb 28
Option Declarations:	Feb 10	Feb 24	Mar 10
Last Dealings:	Feb 11	Feb 25	Mar 11
Account Day:	Feb 21	Mar 7	Mar 21

*New time dealings may take place from two business days earlier.

The CBI survey indicated that UK consumer spending was showing signs of faltering ahead of the tax increases scheduled to impact from April.

Today brings another batch of crucial economic details, notably inflation figures for January. NatWest Securities is forecasting unchanged month-on-month inflation, and headline inflation of 2.9 per cent, with underlying inflation of 3.2 per cent. Unemployment figures for January are expected to show a fall of between 23,000 to 30,000.

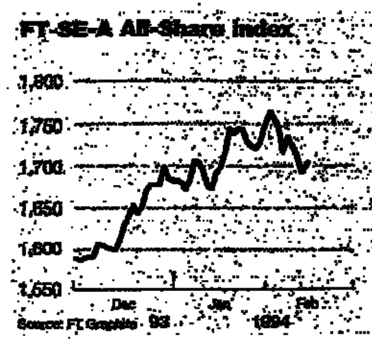
UK share prices began the session in good form, stimulated by the good showing by Wall Street overnight and relatively undisturbed by the latest fall of the Tokyo market. Strong support for FT-SE futures helped the cash market build on its firm opening, with professional traders running short positions said to have been sufficiently worried by the market's opening strength to have closed them out.

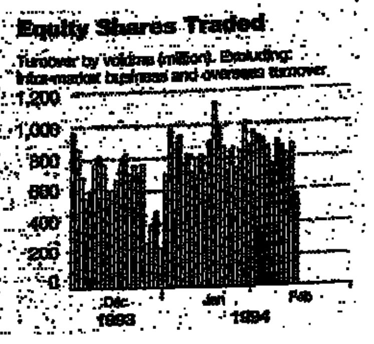
Confidence in the market continued to grow all through the session, with dealers noting signs that some of the bears had scrambled to buy stock towards the close of trading, when Wall Street was in full flow and the FT-SE 100 advancing rapidly.

"There was too much downside hysteria in the market at the start of the week; it only needed Wall Street to move ahead and that's exactly what has happened," said one senior dealer. He also pointed out that the Hong Kong market had staged a good rally yesterday and was expected to continue to move up this morning.

HSBC and Standard Chartered were among the FT-SE 100's best performers yesterday.

One disappointment for the market was the level of business transacted, although again this was said to result from the severe weather problems affecting the City. Turnover reached 771.2m shares. Customer business on Monday was £1.45bn, well down on recent levels.





■ Key Indicators

Indices and ratios

FT-SE 100	3393.2	+29.7	FT Ordinary index	2606.6	+19.5
FT-SE Mid 250	4028.5	+17.9	FT-SE-A Non Fins p/e	22.61	(22.46)
FT-SE-A 350	1716.8	+13.3	FT-SE100 Fut Mar	3390.0	+36.0
FT-SE-A All-Share	1706.51	+12.54	10 yr Gilt yield	6.58	(6.58)
FT-SE-A All-Share yield	3.31	(3.33)	Long gilt/equity yld ratio:	2.13	(2.12)

Best performing sectors

1 Gas Distribution ... +2.3
2 Electricity ... +2.0
3 Banks ... +1.7
4 Spirits, Wines, Ciders ... +1.6
5 Water ... +1.6

Worst performing sectors

1 Oil, Integrated ... -0.6
2 Mineral Extraction ... -0.4
3 Distributors ... -0.3
4 Other Financial ... -0.3
5 Textiles & Apparel ... -0.2

Argyll pulls up retailers

Food retail shares performed strongly as the Argyll trading statement prompted some in the market to forecast that the beleaguered sector was beginning to turn the corner.

Argyll, which operates the Safeway supermarket chain, said profits would be slightly lower than last year but the group underpinned positive sentiment on margins by promising an increased dividend.

While gross margins had slipped as the group responded to price competition, Argyll said some recovery had been seen recently. More positive analysts took heart from recent similar messages from Tesco and J Sainsbury. One said: "If margins are stabilising, it nails the bear argument. The sector's reached a turning point today." And Mr Neil Curry at S.G. Warburg said: "If people are looking to reinvest in a bombed out sector, now is the right time."

Others remain cautious, pointing out that few of the arguments that caused the sector's collapse – among them, competition from discounters, supermarket price wars and saturation of the market – have been properly addressed. Yesterday, Argyll's initial rise was clawed back as James Capel was said to have had a line of 2m shares overhanging the market. The shares closed 5 down at 256p with 12m traded. Tesco gained 3 to 229p and Sainsbury 8 to 377p. Kwik Save added 17 to 590p and Iceland 4 to 170p.

Glaxo strong

Pharmaceuticals group Glaxo jumped 14 to 665p ahead of interim figures tomorrow as several houses pointed out the yield benefits and US sellers stayed away.

Hoare Govett reiterated its buy stance and its forecast of a 21 per cent hike in the dividend to 8.5p, in the middle of a one penny range. The house predicts interim profits of £970m. Lehman Brothers, the US house, stressed its preference for the stock over SmithKline Beecham, which fell 4 to 411p. Lehman cut its 1993 forecast for SmithKline to £1.180bn from £1.209bn and reduced earnings per share to 29.4p from 30.2p. It reduced its 1994 estimate by £90m to £1.255bn and earnings per share to 31.2p from 33.3p.

Mr Ian Smith of Lehman said: "This sector is focusing on yield as opposed to earnings growth and the two-point differential between SmithKline and Glaxo is starting to stand out." However, Nomura argued that the market was ignoring the declining sales momentum of Zantac, Glaxo's anti-ulcer treatment which represented 44 per cent of sales in 1993.

The strong market trend helped British Airways recover from an early retreat after several brokers downgraded full year profit expectations following third quarter figures.

The shares initially eased 8 to 466p, before recovering to close a penny off at 473p, in trade of 10m, after the group revealed a threefold increase in profits to £65m.

However, Mr Mike Stoddart at Charterhouse Tilney, who reduced his full year forecast by £25m to £300m said the figures were below his expectations, adding: "the company continues to talk about excess capacity in the industry". Strauss Turnbull reduced its figure by £45m to arrive at the same forecast. But Nikko Securities was said to have appreciated the figures and is believed to have upgraded.

One of the property market's biggest bulls, agency broker James Capel, turned down the heat slightly as it took a number of the sector's most ebullient stocks off its buy list. Mr Andrew Causer at Capel said that certain stocks, such as MEPC, Brixton, British Land and Slough Estates, which in some cases have quadrupled in value, needed to pause for breath until rental growth rates in 1995-96 could be confidentially predicted. MEPC steadied at 514p, Slough slipped 2 to 288p, British Land 5 to 443p and Brixton 2 to 250p.

Nervousness over the price of Brent crude led to weakness in oil shares. Investors were also holding themselves back in readiness for France's FFr35bn Elf Aquitaine privatisation. British Petroleum fell 3¼ to 366¼p in spite of strong figures last week. However, BP said talk of a persistent sell-off of the shares in the US was overdone.

Meanwhile, British Gas jumped 8 to 331p. Nomura told clients that the recent fall in the share price had pushed the yield premium against the market to an all-time high. Nomura remains negative but was suggesting that underweight investors "might consider picking up stock".

The decline in domestic brewing stocks came to an abrupt halt as NatWest Securities decided that the sector was looking oversold. The most recent battering, on Monday, came after Courage reported a drop in profits. Scottish & Newcastle, one of NatWest's favoured stocks, gained 7 to 522p, and Whitbread put on 13 to 547p.

Standard Chartered rebounded 36 to 1301p after Swiss Bank pointed out that the share price had fallen 11.4 per cent from its recent peak.

QVC Network's failed $10bn bid for Paramount in the US was said to have inspired gains in the UK leisure market on speculation that QVC will now look elsewhere for a multimedia target. Thorn EMI, buoyed also by good UK industry music figures, climbed 22 to 1105p, while Rank Organisation added 19 to 1076p. Forte put on 2 to 259p and traded a short 5m as NatWest Securities removed the stock from its short-term sell list.

Doubts about the future of transport leasing group Tiphook surfaced after the group said it faced liquidation if the sale of its container division did not go ahead. The shares closed 9 down at 58p.

Profit-taking in British Steel saw the shares close 3 lighter at 142½p, amid fears of a steep fine being imposed on the group by the European Commission. Volume was 14m.

Speculative buying in Babcock International brought turnover of 13m as the shares improved 2¼ to 38¼p.

Wellcome was heavily traded with a block of 6.2m shares taken on at 639p and placed at 640p. Dealers said S.G. Warburg had carried out the business which represented a stake of just under 0.7 per cent. Wellcome's share price rose 5 to 655p.

First-quarter figures from Hanson came in at the low end of expectations, but did no more than hold the share price down to 283¼p, unchanged on the day. Turnover hit 13m. NatWest Securities maintained a full year forecast of £1bn after adjusting for the flotation of Hanson's US housebuilding business.

Property minnow Jermyn Investment surged 102 to 285p amid reports of directors' share dealings.

MARKET REPORTERS:
Christopher Price,
Peter John,
Joel Kibazo.

■ Other statistics, Page 21

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (90).
BREWERIES (1) Fuller STA, BUILDING & CNSTRN (4) Ashtead, Howard, Spendex, Tay Homes, BLDG MATLS & MCHTS (1) BMSS, DISTRIBUTORS (4) Adam & Harvey, EW Fact, Evans Halshaw, Wills, DIVERSIFIED INDLS (1) Amer Grp. Free A, ELECTRNC & ELECT EQUP (8) BICC 10¼pc Cv. '20, Control Techniques, Druck, Fujitsu, Gestetner, Millgate, Pilco, Do A. ENGINEERING (6) Baynes (C) 5.8p Pf., Firth (GM), Metsec, VSEL, Vosper Thornycroft, Wilkes (J), ENG, VEHICLES (2) Avon Rubber, Trinity, EXTRACTIVE INDS (3) Malaysia Mining, Petaling, Rackwood, HEALTH CARE (2) Arjo AB, Ferraris, HOUSEHOLD GOODS (4) Airsprung, Gaskell, Relyon, Victoria Carpet, INSURANCE (2) New London Capital, Syndicate Capital, INVESTMENT TRUSTS (1) Wigmore Property Wts., INVESTMENT COMPANIES (1) Korea Liberal Wts., LEISURE & HOTELS (4) Crockfords, Ex-Lands 7 1/2pc Cv. '20, Manchester Utd., Zetters, MEDIA (10) Adscene, Daily Mail A, GWR, Grampian TVA, Metro Radio, Quarto, Scottish Radio, Telegraph, Trans World Comms., Ulster TV, OTHER FINANCIAL (2) Quayle Munro, Union Discount, PRTNG, PAPER & PACKS (4) Britton, Cropper (J), Repola, St Ives, PROPERTY (9) Bourne End, Debenham Tewson & Chinnocks, Estates & Agency, Green Property, INOCO, Jermyn Invs., Prior, RPS, Wates City of Lon., RETAILERS, FOOD (1) Watson & Philip, RETAILERS, GENERAL (2) Carpetright, Essex Furniture, SUPPORT SERVS (2) Admiral, Division, TEXTILES & APPAREL (3) Abbeycrest, Dinkie Heel, Leslie Wise, TRANSPORT (2) Goode Durrant, Tibbett & Britten, WATER (1) Bristol Water.
NEW LOWS (8).
BANKS (1) Standard Chrtd. 7 3/8pc Pf., ENGINEERING (1) Sykes-Pickavant, INSURANCE (1) USF & G, INVESTMENT TRUSTS (1) Martin Currie Pac. Wts., OIL EXPLORATION & PROD (1) Coplex Res., PHARMACEUTICALS (1) Scotia, TEXTILES & APPAREL (1) Martin Intl., AMERICANS (1) NYNEX.

EQUITY FUTURES AND OPTIONS TRADING

The covering of short positions as a more positive mood about the market outlook returned brought a turnaround in stock index futures, *writes Joel Kibazo.*

Brushing aside a further overnight retreat in Tokyo, the March contract on the FT-SE 100 opened firmly at 3,359. But for a brief retreat following the release of lower-than-expected industrial output figures, March moved steadily ahead for the session with a more bullish tone about the market. This helped it trade at a premium to fair value for most of the session.

With the firm start to trading in New York offering further support, March finished at 3,390, up 36 on its previous close, but around 5 points below its estimated fair value premium to cash of about minus 5. Turnover was 10,976 at the official close.

Dealers reported a poor day in the traded options with volume falling to 35,977 contracts of which 16,468 were dealt in the FT-SE 100 option and 5,363 in the Euro FT-SE 100.

In the stock options, Trafalgar House was the most active with a total of 3,109 lots with James Capel said to have carried out the days' biggest trade, the April 115 Calls, the busiest series.

Dealings on the OMLX, trading the FT-SE mid-250 futures, was more or less at a standstill with a mere 68 contracts traded during the session. It finished at 4,028.5.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3359.0	3390.0	+36.0	3395.0	3355.0	14102	64095
Jun	3379.0	3404.5	+36.0	3400.0	3379.0	358	12066
Sep		3424.0	+36.0			0	390

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Volume	Open int.
Mar	4030.0	4044.5	+14.5	4039.0	4030.0	68	2,817
Jun		4065.0					

All open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3391) £10 per full index point

	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P
Feb	198	1	148	1	99	2½	56	9	20½	25½	5	61	1½	110	½	160
Mar	204	16½	163	24	125½	37	92	53½	64½	76	43½	105	27	139	15½	178
Apr	220	32	182½	44½	148½	58½	116½	78	87½	99	67	128	46½	158	34	195

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P
Feb	170½	1	120½	2	76½	5	37½	17	11½	42½	3	85½	1½	133	½	183
Mar	183	19½	142½	28½	106½	42½	76½	62	52	87½	34	119	21	155½	12½	197
Apr	199	35½			128	54			74	109½			38	172		
Jun	234½	58½			169½	92			116	137			76	194½		
Sept†	275½	83			212	116½			157½	159			113½	212		

Calls 3,300 Puts 2,164 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3950		4000		4050		4100		4150		4200		4250		4300	
Mar	40½		58½		79	49½	107	33	141	21	179	10		6		
Apr	63½		80		102½		129		160	44		32		23		

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT-SE Actuaries Share Indices — The UK Series

	Feb 15	Day's chge%	Feb 14	Feb 11	Feb 10	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3393.2	+0.9	3363.5	3378.9	3407.0	2812.2	3.46	5.12	24.23	5.29	1245.07
FT-SE Mid 250	4028.5	+0.4	4010.6	4030.0	4068.9	3009.5	3.03	4.79	25.61	9.55	1464.70
FT-SE Mid 250 ex Inv Trusts	4045.6	+0.4	4030.6	4047.6	4086.9	3020.7	3.12	5.12	24.17	9.40	1468.10
FT-SE-A 350	1716.8	+0.8	1703.5	1711.4	1726.2	1390.0	3.36	5.04	24.54	3.00	1290.40
FT-SE SmallCap	2068.75	+0.2	2063.97	2068.86	2082.49	1517.67	2.65	3.39	37.71	3.59	1571.92
FT-SE SmallCap ex Inv Trusts	2047.22	+0.1	2046.88	2047.39	2058.08	1519.87	2.78	3.72	35.11	3.73	1558.39
FT-SE-A ALL-SHARE	1706.51	+0.7	1693.96	1701.53	1716.97	1373.41	3.31	4.92	25.15	2.98	1305.37

■ FT-SE Actuaries All-Share

	Feb 15	Day's chge%	Feb 14	Feb 11	Feb 10	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2614.64	-0.4	2624.12	2649.22	2676.32	2044.80	3.37	4.77	25.96	4.90	1022.27
12 Extractive Industries(4)	3915.74	+0.7	3889.66	3937.81	3999.97	3079.90	3.18	4.67	25.34	0.00	1053.75
15 Oil, Integrated(3)	2544.09	-0.6	2559.80	2563.99	2605.18	1925.10	3.44	4.88	25.54	6.35	1014.72
16 Oil Exploration & Prod(11)	1891.11	-0.2	1895.56	1903.08	1937.08	1945.90	3.16	3.80	33.83	0.00	1072.34
20 GEN MANUFACTURERS(284)	2186.54	+0.4	2177.06	2184.30	2207.92	1683.10	3.37	3.12	43.98	1.93	1082.84
21 Building & Construction(31)	1537.72	+0.9	1523.93	1528.15	1542.27	897.50	2.30	1.25	80.60†	1.29	1177.24
22 Building Matls & Merchs(30)	2306.26	+0.4	2300.09	2300.89	2317.41	1484.30	3.04	2.49	55.38	1.14	1057.62
23 Chemicals(20)	2438.54	+0.8	2418.31	2432.64	2463.32	2079.60	3.79	‡	‡	0.39	1047.77
24 Diversified Industrials(16)	2163.76	+0.8	2146.22	2170.10	2212.98	1834.60	4.11	4.40	28.82	3.21	1070.21
25 Electronic & Elect Equip(34)	2223.19	+0.2	2219.79	2221.88	2229.78	1786.30	3.31	5.48	22.23	1.26	[illegible]

TRADING VOLUME

■ Major Stocks yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	14,000	57	
Abbey National†	3,600	513	+4
Albert Fisher	3,700	70	+3
Allied-Lyons†	1,600	615	+3
Anglian Water†	1,100	590	+18
Argos	1,100	373	+1
Argyll Group†	12,000	256	-5
Arjo Wiggins†	621	290	
Assoc. Brit. Foods†	156	560	-5
Assoc. Brit. Ports	128	614	-1

LONDON EQUITIES

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	55	18
Other Fixed Interest	3	2	10
Mineral Extraction	42	84	81
General Manufactures	161	115	407
Consumer Goods	47	30	116
Services	125	66	330
Utilities	34	0	12
Financials	109	72	210
Investment Trusts	198	20	244
Others	28	57	37
Totals	749	501	1465

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	Feb 7	Last Declarations	May 12
Last Dealings	Feb 18	For settlement	May 23

Calls: ASW, Amipex, Avesco, BM Grp., Bula, Burton, Caird Pref., Development Secs., Fleming & Chinese Wts., Ibstock Johns. Wts., Iceland Grp., GM Firth, Hanson Wts., Ramco Oil, Rodime, Yorkshire TV Wts., Waterglade. Puts: Burton, Iceland Grp., Tiphook. Puts & Calls: LBMS, SmithKl. Beech. A., Stand. Chart., Tadpole Tech.

LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied-Lyons	600	35	49	54½	14	32	38
(*615)	650	12	21½	32	43	62	67½
Argyll	240	27	33	36	7	15	17½

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Hanson	280	6½	14	18½	3	11½	15½
(*283)	300	1	6	10½	18½	24	28
Lasmo	120	8	17	22½	3	10½	15½

LONDON RECENT ISSUES: EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

FINANCIAL TIMES EQUITY INDICES

FT GOLD MINES INDEX

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1993/94 High	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£23⅞	+⅛	£25¼	£18¼	6,450	4.5	12.3
ANZ A$		272¼	-6½	278¼	130	3,881	3.3	21.4
Abbey National	†□	513	+4	524	345	6,725	2.9	19.8
Allied Irish I£		280	+4	314	179	1,845	3.7	14.3
Anglo Irish I£		65xd	—	*70	28	80.7	6.5	12.1
Asahi Y		712¼	+26¾	844	415	16,536	0.6	-
Banco Bil Viz Pts		£35⅛	-⅛	£37¼	£13⅝	3,596	5.4	6.6
Banco Sant Pts		£34½	—	£38	£24⅞	3,847	3.9	13.2
Bank Leumi (UK)		385	—	385	325	32.4	6.4	-
Bk Ireland I£		288	+7	*319	177	1,334	4.4	20.9
Bank Scotland	†□	225	+8	247	116½	2,619	2.8	30.6
9¼pc Pf		138	-¼	141½	117¾	138.0	6.4	-
9¾pc Pf		144	-¼	148½	123½	144.9	6.5	-
Barclays	†□	583	+4	652	362	9,462	2.7	-
Dai Ichi Kan Y		£12¼	+⅛	£15⅝	£8⅞	38,067	0.4	69.2
Deutsche DM		£321⅞	+7⅝	£348⅝	£250½	15,298	1.9	-
Espirito Santo		£24⅛	+½	£28⅞	£16½	285.6	3.2	6.0
First Nat Fin	□	88xd	+3	*95	45	148.4	2.1	-
6.3pc Cv Pf		90	+1	*91	55	6.65	8.7	-
7pc Cv Pf		108	+2	109	106	78.7	5.2	-
Fuji Bank Y		1402½	+49¾	1651	676	48,606	0.4	-
HSBC HK	†□	1038	+34	1133	474	17,582	2.4	24.6
HSBC (75p Shs)	†□	1009	+22	1113	480	8,289	2.5	24.1
Lloyds	□	601xd	+14	690	482	7,716	4.6	12.7
Mitsubishi Y		£16⅞	+⅛	£19¼	£11¼	68,471	0.3	-
Mits Tst & Bk Y		903¾	+31½	1012½	462½	11,786	0.6	14.5
Mitsui Tst & Bk Y		693½	+36	852	374	8,308	0.8	23.6
Nat Aust A$		595½	-10	620¼	322	7,087	4.0	14.3
NatWest	†□	565	+4	634	396	9,224	4.0	33.7
Ottomane FFr		£31	-⅛	£33	£23¾	135.6	4.8	9.1
Ryl Bk Scotland	□	494xd	+9	528	207	3,927	2.8	22.3

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SPIRITS, WINES & CIDERS - Cont.

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

INVESTMENT COMPANIES

LEISURE & HOTELS

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 high	1993/94 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£18¾	-¼	£19½	£7½	1,118	3.7	15.8
Barlow		£4½	—	£5¼	£4	810.8	7.9	7.5
Gold Fields SA R		£13⅛xd	+⅛	£18	£7¼	1,380	3.0	22.0
NK Props	$	95	—	97	68	3.82	9.3	39.1
SASOL	♥	335	—	337	215	1,887	4.6	–
SA Brews		£12⅝	-⅛	£15⅛	£7⅞	6,886	2.2	21.1
Tiger Oats		713	—	838	513	1,071	2.3	15.1
Tongaat-Hulett	†	486	—	522	212	371.2	3.0	13.8

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. *Dividends and Dividend covers are published on Monday.*

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings

v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for

1993-94
N Figures based on IIMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

FT MANAGED FUNDS SERVICE

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (‡) - 0001 to 1100 hours; (§) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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TSB Unit Trusts (1200)F
Charlton Pl, Andover, Hants. SP10 1RE 0264 345794

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Americas	6	228.78	228.78	243.38	-1.05	-
Do Accum	6	251.98	251.98	[illegible]	[illegible]	-
TSB Brit Growth	6	98.88	101.13	107.59	[illegible]	1.58
Do Accum	6	118.27	119.78	127.40	[illegible]	1.58
TSB European	6	112.86	112.86xd	120.07	-0.15	0.19
Do Accum	6	114.95	119.85xd	127.01	-0.16	0.19
TSB Extra Income	6	217.73	220.84	234.95	+0.41	3.43
Do Accum	6	335.98	351.07	384.11	[illegible]	3.43
TSB Smaller Cos	6	90.37	92.65	97.82	[illegible]	0.88
Do Accum	6	89.35	91.77	97.63	-0.09	0.88
TSB General	6	304.25	308.98xd	328.70	+0.14	1.89
Do Accum	6	612.92	622.44xd	[illegible]	+4.28	1.89
TSB Premier Income	5	56.49	56.40xd	59.80	-0.05	5.50
Do Accum	6	120.39	122.48xd	[illegible]	-0.19	5.50
TSB Income	6	374.86	380.53	404.81	+4.83	2.78
Do Accum	6	783.87	805.80	857.33	+1.39	2.78
TSB Pacific	6	459.28	463.49	[illegible]	-0.86	-
Do Accum	6	482.56	487.01	518.18	-0.90	-
TSB International	6	580.27	580.27	617.31	[illegible]	0.06
Do Accum	6	761.67	761.57	809.18	-4.78	0.06
TSB Nat Resources	6	175.42	180.28	191.79	-1.45	0.04
Do Accum	6	192.81	197.85	210.48	-1.60	0.04
TSB Global Opps	6	118.09	121.04	128.77	+0.11	0.77
Do Accum	6	150.02	152.74	162.49	+0.14	0.77
Environmental Inv	6	67.43	67.43	71.73	-0.10	1.35
Do Accum	6	73.10	73.10xd	77.77	-0.10	1.35
TSB Selector	6	68.92	70.09	74.56	+0.02	1.91
Do Accum	6	76.59	77.88	82.85	+0.01	1.91
TSB High Income	6	70.90	71.34	75.89	-0.02	4.03
Do Accum	6	85.79	86.60	92.34	-0.02	4.03
TSB Ind Income	6	63.30	63.88	67.94	-0.09	4.52
Do Accum	6	74.74	75.30	80.11	-0.11	4.52
TSB Selector Income	6	67.03	67.77	72.18	+0.02	4.61
Do Accum	6	76.18	77.02	81.93	+0.02	4.61

T.U. Fund Managers Limited (1200)H
NLA Tower, Addiscombe Road, Croydon 081-686 4355

T.U. British	5	352.3	357.7	378.5	+0.2	2.45
T.U. European	5	54.35	54.49	57.09	+0.07	2.09

Templeton Unit Trust Managers Ltd (1200)F
20 Castle Terrace, Edinburgh EH1 2EH

Global Growth Acc	6	231.93	232.28	248.42	-0.80	1.47
Global Growth Inc	6	210.37	210.66	225.33	-0.72	1.47
Global Balanced Acc	6	206.05	209.25	220.58	-0.35	2.53
Global Balanced Inc	6	170.97	180.14	192.07	-0.31	2.53
Value Tst Acc	6	137.78	138.24	147.65	-0.62	1.33
Value Tst Inc	6	128.30	128.74	135.55	-0.58	1.33

Thornton Unit Managers Ltd (1200)F
33 Queen Street, London EC4R 1AX 071-246 3000

OTHER UK UNIT TRUSTS

INSURANCES

AXA Equity & Law Life Assce
Amersham Road, High Wycombe 0494 463463

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equities Ser 5	977.1	1028.5	+0.3	-
Higher Income Ser 5	1057.1	1112.7	+2.2	-
Property Ser 5	525.4	553.0	+0.2	-
Fixed Interest Ser 5	422.4	444.6	-1.0	-
Index Linked Secs Ser 5	187.0	196.8	-0.1	-
Gtd Deposit Ser 5	289.5	304.7	+0.3	-
Nth America Ser 5	435.1	457.9	-2.9	-
Far East Ser 5	593.3	624.5	-2.6	-
Europe Ser 5	368.9	388.3	-	-
International Ser 5	573.4	603.5	-1.6	-
Balanced Ser 5	708.1	745.3	-0.2	-
Reserve Ser 5	149.1	156.9	-0.1	-
Opportunity Ser 5	164.7	173.3	-0.2	-
Distribution Ser 5	108.5	114.2	-	-
Pens Equity Ser 3 (z)	1384.5	1457.3	+5.8	-
Pens Higher Inc S 3 (z)	344.0	361.5	+0.7	-
Pens Fixed Int S 3 (z)	560.3	589.2	+1.5	-
Pens Index-Linked Sec S 3 (z)	243.0	255.7	+0.4	-
Pens Property S 3 (z)	489.1	514.8	-	-
Pens N America S 3 (z)	192.8	202.9	-1.0	-
Pens Far East S 3 (z)	346.3	364.5	-4.9	-
Pens Europe S 3 (z)	209.0	219.6	+0.7	-
Pens Overseas S 3 (z)	873.1	919.0	-1.8	-
Pens Balanced S 3 (z)	824.7	868.1	+1.9	-
Pens Cash S 3 (z)	420.8	442.9	-	-
Pens DAF Series 3 (z)	235.4	247.7	-	-
Pens DAF Series 1 (z)	466.9	491.4	-	-
Pens Opportunity S 3 (z)	178.7	188.1	+0.9	-
Pens Reserve S 3 (z)	172.6	181.6	+0.2	-

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	273.3	287.7	-	-
Equity Ser. 1	181.2	190.8	+0.30	-
Prop. Acc. Ser 2	499.0	525.3	-	-
Equity Ser 2	235.1	247.5	+0.40	-
Selective Acc. Ser 2	497.4	523.6	-	-
Prop. Ser. 4	380.7	400.2	-	-
Equity Ser. 4	222.8	234.4	+0.30	-
Man. Ser. 4	695.2	731.8	-1.80	-
Fixed Int. Ser. 4	356.6	375.4	-1.30	-
Indexed Inv. Ser. 4	218.0	229.5	-0.20	-

FT MANAGED FUNDS SERVICE

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Yen pauses for breath

The dollar yesterday fell against leading currencies, but traded above its Monday low against the yen, *writes Philip Gawith.*

Panic selling in New York on Monday drove the dollar down to Y101 at one point, but trading was calmer yesterday with the US currency closing in London at Y103.1, one yen lower than Monday's close.

The dollar has fallen by about six per cent since President Clinton and Mr Morihiro Hosokawa last week failed to agree steps on how to curb Japan's large trade surplus with the US.

Traders said the market had paused to assess how the US administration planned to respond to the breakdown of the talks. The US administration has in the past used a stronger yen to curb the deficit, since it makes Japanese exports more expensive.

In Europe, meanwhile, sterling weakened after the release of lower than expected industrial output figures. The D-Mark was stronger against most EMS currencies with the market anticipating no easing of policy at Thursday's Bundesbank council meeting.

■ Observers were split yesterday on the short-term outlook for the yen. Although there is widespread agreement that economic fundamentals favour a stronger dollar, some argue that the market implications of this have been misjudged.

Mr Mark Austin, treasury strategist at Midland Global Markets, says the weakness of the Japanese economy has encouraged capital repatriation which has put upward pressure on the yen. He said the failure of the trade talks was merely a trigger for investment funds to liquidate dollar holdings bought in anticipation of a recovery in the US currency.

Mr David Cocker, currency analyst at Chemical Bank, said the market had got itself into a difficult position by assuming "more of the same" and driving the yen significantly higher. The problem is that Y100.3 is the level at which the US Federal Reserve last intervened to support the dollar when it was weak last August.

Mr Cocker said the market now appeared to be waiting to see what sort of punitive measures the US implements, before seeing whether it can push the yen higher. Intervention by the Bank of Japan and profit-taking also reduced the momentum of yen appreciation. Market reports suggest the BOJ may have spent as much as $1bn trying to prop up the dollar.

A statement from the US Treasury that the Clinton administration was not trying to talk up the yen also helped, although some in the market questioned its credibility.

Mr Adrian Schmidt, international economist at Chase Manhattan, argues that "it is hard to foresee any action from the US that will help prevent yen strengthening until there are some trade concessions forthcoming, or until the yen has reached a level where further declines would clearly be damaging for the US economy."

■ The dollar dropped across the board as its weakness against the yen flowed across to other currencies. It finished in London nearly two pfennigs lower at DM1.7255 from DM1.7438.

The strength of the D-Mark was assisted by comments made in Washington by Mr Gunter Rexrodt, German Minister of Economics, who said he did not expect German interest rates to decline "in the next few days or weeks". This lent support to the market view that the Bundesbank council will not cut interest rates at its council meeting on Thursday.

The central bank is considered unlikely to ease policy while a strike threat over wage settlements looms in the key engineering sector.

The Bundesbank's February monthly report, due for release this morning, should give an indication of what can be expected on Thursday.

The D-Mark was also firmer against most European currencies, trading near the top of its trading range against the French franc, sterling and the Italian lira.

■ Economic data suggesting the UK economic recovery may be less robust than previously thought undermined sterling which closed in London at DM2.5463, down from DM2.5622 on Monday. The poor figures gave rise to renewed speculation that the government may again ease monetary policy. Interest rates were cut by 25 basis points last week.

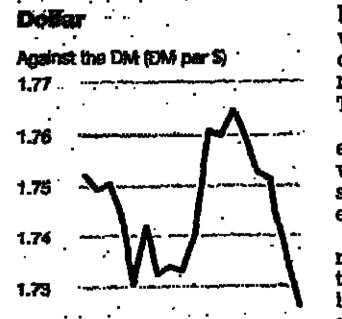
UK industrial production figures showed a 0.6 per cent fall in December after a revised 0.2 per cent rise in November. Manufacturing output in the same month fell 0.5 per cent.

Earlier the Confederation of British Industry said in its monthly survey for January that UK retail sales growth remains patchy, with the outlook for modest growth only. The rate of growth in sales was the slowest for 12 months.

Sterling did not really join in the rally against the dollar. After trading as high as $1.4830, it fell after the release of the output numbers to close in London at $1.4757 against the weak dollar, only slightly higher than Monday's close of $1.4693.

The way forward for sterling will be determined today by the release of key data, particularly January's retail sales and the retail prices index.

■ The Bank of England provided the UK money market with £1.605bn of assistance. This compared with a forecast of a liquidity shortage of £1.6bn, revised down from an earlier forecast of £1.7bn.



Source: FT Graphite

■ Pound in New York

Feb 15	Latest	Prev. close
£ spot	1.4780	1.4855
1 mth	1.4761	1.4835
3 mth	1.4723	1.4797
1 yr	1.4625	1.4699

POUND SPOT FORWARD AGAINST THE POUND

Feb 15		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.8980	-0.1184	892 - 027	18.2050	17.8733	17.8922	0.3	17.8868	0.2	-	-	113.2
Belgium	(BFr)	52.4003	-0.4042	619 - 387	53.2880	52.4062	52.4603	-1.4	52.5763	-1.3	52.8853	-0.9	114.1
Denmark	(DKr)	9.9710	-0.0338	641 - 778	10.1427	9.9618	9.9792	-1.0	9.9967	-1.0	10.0275	-0.6	114.0
Finland	(FM)	8.2343	-0.0244	256 - 430	8.3400	8.2140	-	-	-	-	-	-	81.8
France	(FFr)	8.6732	-0.0343	702 - 761	8.7986	8.6628	8.682	-1.2	8.697	-1.1	8.7251	-0.6	107.3
Germany	(DM)	2.5463	-0.0159	451 - 474	2.5723	2.5424	2.5484	-1.0	2.551	-0.7	2.5519	-0.2	121.8
Greece	(Dr)	368.027	-2.09	817 - 237	374.946	367.692	-	-	-	-	-	-	-
Ireland	(I£)	1.0449	+0.0001	441 - 456	1.0489	1.0338	1.0456	-0.7	1.0469	-0.7	1.0514	-0.6	102.5
Italy	(L)	2471.20	-2.37	967 - 272	2501.38	2466.77	2477.8	-3.2	2491.8	-3.3	2540.25	-2.8	76.6
Luxembourg	(LFr)	52.4003	-0.4042	619 - 387	53.2880	52.3619	52.4603	-1.4	52.5763	-1.3	52.8853	-0.9	114.1
Netherlands	(Fl)	2.8581	-0.0164	549 - 573	2.9029	2.8526	2.8589	-0.4	2.8589	-0.1	2.85	0.2	117.7
Norway	(NKr)	11.0074	-0.065	040 - 107	11.1972	10.9922	11.0044	0.3	10.9967	0.4	11.0059	0.0	84.5
Portugal	(Es)	256.690	-1.32	425 - 954	261.461	256.632	257.68	-4.6	259.816	-4.9	-	-	-
Spain	(Pta)	207.919	-0.538	810 - 028	210.298	207.671	208.559	-3.7	209.764	-3.5	213.814	-2.8	84.6
Sweden	(SKr)	11.8626	+0.0145	542 - 710	11.8987	11.8031	11.8836	-2.1	11.9236	-2.1	12.0686	-1.6	76.9
Switzerland	(SFr)	2.1397	-0.0201	386 - 408	2.1786	2.1380	2.1384	0.8	2.1345	1.0	2.1143	1.2	117.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.4
Ecu	-	1.3154	-0.008	146 - 162	1.3347	1.3145	1.3168	-1.3	1.3192	-1.2	1.3237	-0.6	-
SDR†	-	0.946288	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4743	+0.0077	739 - 746	1.4976	1.4684	-	-	-	-	-	-	-
Brazil	(Cr)	800.843	+3.445	600 - 786	810.000	798.000	-	-	-	-	-	-	-
Canada	(C$)	1.9990	+0.0102	983 - 997	2.0128	1.9874	1.9967	1.4	1.9923	1.3	1.9812	0.9	89.1
Mexico	(New Peso)	4.5819	+0.0197	798 - 841	4.6353	2.5684	-	-	-	-	-	-	-
USA	($)	1.4757	+0.0064	754 - 759	1.4860	1.4702	1.4737	1.6	1.4697	1.6	1.46	1.1	66.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0853	+0.0189	842 - 864	2.1126	2.0708	2.0838	0.9	2.0815	0.7	2.0795	0.3	-
Hong Kong	(HK$)	11.4146	+0.0349	115 - 176	11.5881	11.3757	11.3929	2.3	11.3585	2.0	11.2584	1.4	-
India	(Rs)	46.2836	+0.1955	722 - 953	47.0630	46.1160	-	-	-	-	-	-	-
Japan	(Y)	152.140	-0.815	040 - 239	153.050	150.040	151.795	2.7	150.995	3.0	147.385	3.1	190.4
Malaysia	(M$)	4.1023	+0.0585	001 - 045	4.1125	4.0202	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5801	+0.0125	780 - 821	2.6237	2.5685	2.583	-1.3	2.5873	-1.1	2.5859	-0.6	-
Philippines	(Peso)	40.6542	+0.1749	522 - 562	40.8743	39.9365	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5341	+0.0238	329 - 352	5.6270	5.5140	-	-	-	-	-	-	-
Singapore	(S$)	2.3471	+0.0227	459 - 482	2.3589	2.3317	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.0781	+0.0182	761 - 800	5.1367	5.0604	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.7585	+0.0144	500 - 670	6.8454	6.6815	-	-	-	-	-	-	-
South Korea	(Won)	1196.53	+4.05	581 - 725	1211.65	1192.63	-	-	-	-	-	-	-
Taiwan	(T$)	38.8908	+0.1013	768 - 047	39.8000	38.7500	-	-	-	-	-	-	-
Thailand	(Bt)	37.3045	+0.0284	834 - 255	38.1130	37.1810	-	-	-	-	-	-	-

†SDR rate for Feb.14. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 15		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.1275	-0.133	250 - 300	12.2040	12.1175	12.1475	-2.0	12.1875	-2.0	12.2575	-1.1	102.3
Belgium	(BFr)	35.5100	-0.4285	900 - 300	35.9200	35.4900	35.6	-3.0	35.775	-3.0	36.225	-2.0	103.3
Denmark	(DKr)	6.7570	-0.0523	535 - 605	6.7906	6.7310	6.7762	-3.4	6.8057	-2.9	6.875	-1.7	102.9
Finland	(FM)	5.5801	-0.0407	751 - 851	5.6125	5.5590	5.5868	-1.5	5.5968	-1.3	5.6351	-1.0	76.3
France	(FFr)	5.8775	-0.0488	765 - 785	5.9070	5.8630	5.8914	-2.8	5.9175	-2.7	5.9762	-1.7	103.8
Germany	(D)	1.7255	-0.0183	250 - 260	1.7378	1.7227	1.7292	-2.6	1.7357	-2.4	1.7479	-1.3	103.3
Greece	(Dr)	249.400	-2.5	300 - 500	253.000	249.200	252.6	-15.4	259.55	-16.3	288.4	-15.6	70.8
Ireland	(I£)	1.4123	+0.0059	.115 - 131	1.4237	1.4068	1.4094	2.5	1.4039	2.4	1.388	1.7	-
Italy	(L)	1674.65	-8.85	390 - 540	1681.75	1665.50	1681.4	-4.8	1695.45	-5.0	1739.95	-3.9	77.4
Luxembourg	(LFr)	35.5100	-0.4285	900 - 300	35.9200	35.4900	35.6	-3.0	35.775	-3.0	36.225	-2.0	103.3
Netherlands	(Fl)	1.9355	-0.0195	350 - 360	1.9479	1.9323	1.9386	-2.0	1.9438	-1.7	1.9521	-0.9	102.9
Norway	(NKr)	7.4593	-0.0785	583 - 603	7.5415	7.4375	7.4685	-1.5	7.4863	-1.4	7.5243	-0.9	94.2
Portugal	(Es)	173.950	-1.65	800 - 100	175.000	173.80	174.84	-6.1	176.68	-6.3	183.2	-5.3	94.1
Spain	(Pta)	140.900	-0.975	850 - 950	141.650	140.550	141.525	-5.3	142.725	-5.2	146.455	-3.9	80.2
Sweden	(SKr)	8.0389	-0.0249	346 - 432	8.0664	7.9475	8.0654	-4.0	8.1134	-3.7	8.2569	-2.7	81.7
Switzerland	(SFr)	1.4500	-0.0199	495 - 505	1.4680	1.4495	1.451	-0.8	1.4523	-0.6	1.4483	0.1	103.6
UK	(£)	1.4757	+0.0064	754 - 759	1.4860	1.4702	1.4737	1.6	1.4697	1.6	1.46	1.1	89.6
Ecu	-	1.1218	+0.0096	213 - 223	1.1246	1.1134	1.1192	2.8	1.1141	2.7	1.103	1.7	-
SDR†	-	1.38865	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9991	+0.0009	990 - 991	0.9991	0.9990	-	-	-	-	-	-	-
Brazil	(Cr)	542.570	-	565 - 575	542.580	542.565	-	-	-	-	-	-	-
Canada	(C$)	1.3547	+0.0011	544 - 549	1.3556	1.3515	1.355	-0.2	1.3555	-0.2	1.3568	-0.2	85.6
Mexico	(New Peso)	3.1050	-	040 - 060	3.1060	3.1040	3.1066	-0.6	3.1094	-0.6	3.12	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.4
Pacific/Middle East/Africa													
Australia	(A$)	1.4131	+0.0067	126 - 136	1.4154	1.4055	1.4141	-0.9	1.417	-1.1	1.4245	-0.8	87.8
Hong Kong	(HK$)	7.7353	-0.0097	345 - 360	7.7490	7.7325	7.7368	-0.2	7.7393	-0.2	7.7503	-0.2	-
India	(Rs)	31.3650	-0.0025	625 - 675	31.3675	31.3625	31.43	-2.5	31.585	-2.6	-	-	-
Japan	(Y)	103.100	-1	050 - 150	103.750	101.850	103.005	1.1	102.74	1.4	100.95	2.1	149.0
Malaysia	(M$)	2.7800	+0.0285	790 - 810	2.7850	2.7505	2.7735	2.8	2.7725	1.1	2.795	-0.5	-
New Zealand	(NZ$)	1.7484	+0.0009	473 - 495	1.7498	1.7467	1.75	-1.1	1.7545	-1.4	1.7687	-1.2	-
Philippines	(Peso)	27.5500	-	500 - 500	27.8000	27.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-	501 - 504	3.7504	3.7501	3.7527	-0.8	3.7571	-0.7	3.7758	-0.7	-
Singapore	(S$)	1.5905	+0.0085	900 - 910	1.6000	1.5788	1.5894	0.9	1.5872	0.8	1.5995	-0.6	-
S Africa (Com.)	(R)	3.4413	-0.0025	405 - 420	3.4500	3.4300	3.4583	-5.9	3.4873	-5.3	3.5948	-4.5	-
S Africa (Fin.)	(R)	4.5800	-0.01	750 - 850	4.5950	4.5175	4.611	-8.1	4.67	-7.9	-	-	-
South Korea	(Won)	810.650	-0.75	500 - 200	811.500	810.000	813.65	-4.4	817.35	-3.2	836.6	-3.1	-
Taiwan	(T$)	26.3550	-0.045	500 - 600	26.4700	26.2200	26.4575	-4.7	26.605	-3.8	-	-	-
Thailand	(Bt)	25.2800	-0.09	700 - 900	25.3600	25.2600	25.35	-3.3	25.49	-3.3	25.72	-1.4	-

†SDR rate for Feb.14. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Feb.14. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb.15		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.03	16.55	4.859	1.994	4716	5.450	21.01	489.9	396.8	22.63	4.082	1.908	3.817	2.817	290.3	2.510
Denmark	(DKr)	52.55	10	8.698	2.553	1.048	2478	2.864	11.04	257.4	208.5	11.89	2.145	1.003	2.006	1.480	152.5	1.319
France	(FFr)	60.42	11.50	10	2.936	1.205	2849	3.293	12.69	296.0	239.7	13.67	2.466	1.153	2.306	1.702	175.4	1.516
Germany	(DM)	20.58	3.916	3.407	1	0.410	970.5	1.122	4.324	100.8	81.66	4.656	0.840	0.393	0.786	0.580	59.74	0.516
Ireland	(I£)	50.14	9.542	8.300	2.436	1	2365	2.733	10.54	245.6	198.9	11.35	2.047	0.957	1.914	1.412	145.6	1.258
Italy	(L)	2.121	0.404	0.351	0.103	0.042	100.	0.116	0.446	10.39	8.414	0.480	0.087	0.040	0.081	0.060	6.155	0.053
Netherlands	(Fl)	18.35	3.491	3.037	0.891	0.366	865.2	1	3.855	89.88	72.79	4.153	0.749	0.350	0.700	0.517	53.28	0.460
Norway	(NKr)	47.59	9.056	7.877	2.312	0.949	2244	2.594	10	233.2	188.8	10.77	1.943	0.908	1.817	1.341	138.1	1.194
Portugal	(Es)	20.41	3.884	3.379	0.992	0.407	962.6	1.113	4.289	100.	80.99	4.620	0.833	0.390	0.779	0.575	59.25	0.512
Spain	(Pta)	25.20	4.796	4.172	1.225	0.503	1189	1.374	5.296	123.5	100.	5.705	1.029	0.481	0.962	0.710	73.16	0.633
Sweden	(SKr)	44.18	8.407	7.313	2.147	0.881	2083	2.408	9.283	216.4	175.3	10	1.804	0.843	1.686	1.245	128.2	1.109
Switzerland	(SFr)	24.50	4.662	4.055	1.190	0.489	1155	1.335	5.147	120.0	97.19	5.545	1	0.468	0.935	0.690	71.11	0.615
UK	(£)	52.40	9.971	8.673	2.546	1.045	2471	2.856	11.01	256.7	207.9	11.86	2.139	1	2.000	1.476	152.1	1.315
Canada	(C$)	26.20	4.986	4.337	1.273	0.523	1236	1.428	5.505	128.4	104.0	5.930	1.070	0.500	1	0.738	76.05	0.658
US	($)	35.50	6.755	5.876	1.725	0.708	1674	1.935	7.459	173.9	140.9	8.035	1.449	0.678	1.355	1	103.0	0.891
Japan	(Y)	344.5	65.56	57.02	16.74	6.870	16246	18.78	72.39	1688	1367	77.98	14.06	6.575	13.15	9.704	1000.	8.646
Ecu		39.85	7.583	6.595	1.936	0.795	1879	2.172	8.373	195.2	158.1	9.019	1.627	0.760	1.521	1.122	115.7	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

EMS EUROPEAN CURRENCY UNIT RATES

Feb 15	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.793642	+0.002025	-1.85	4.53	12
Netherlands	2.19672	2.17457	-0.0008	-1.01	3.63	-
Belgium	40.2123	39.9278	-0.0539	-0.71	3.32	5
Germany	1.94964	1.93812	-0.00232	-0.59	3.20	-
France	6.53883	6.59710	-0.00209	0.89	1.68	-7
Portugal	192.854	195.515	-0.064	1.38	1.19	-9
Denmark	7.43679	7.59168	+0.01302	2.08	0.50	-14
Spain	154.250	158.243	+0.174	2.59	0.00	-18
NON ERM MEMBERS						
Greece	264.513	280.055	-0.198	5.88	-3.10	-
Italy	1793.19	1881.29	+7.36	4.91	-2.22	-
UK	0.786749	0.758869	+0.001117	-3.54	6.36	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

WORLD INTEREST RATES

UK INTEREST RATES

LONDON MONEY RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.79	94.78	-	94.80	94.77	8333	82144
Jun	94.92	94.92	+0.01	94.95	94.90	14410	109683
Sep	94.90	94.89	+0.01	94.92	94.87	7285	60055
Dec	94.81	94.82	+0.03	94.84	94.79	5966	94266

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9475	0.07	0.25	0.30	0.04	0.06	0.16
9500	0.01	0.11	0.17	0.23	0.19	0.28
9525	0	0.04	0.08	0.47	0.37	0.44

Est. vol. total, Calls 4465 Puts 1007. Previous day's open int., Calls 161105 Puts 143799

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	*Roxburghe Bank Ltd is no longer authorised as a banking institution.	9
Allied Trust Bank	5.25	Exeter Bank Limited	6.5	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williman Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	Standard Chartered	5.25
Bank of Baroda	5.25	Girobank	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	●United Bk of Kuwait	5.25
Bank of Cyprus	5.5	Habib Bank AG Zurich	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Western Trust	5.5
Bank of India	5.25	Heritable & Gen Inv Bk.	5.5	Whiteaway Laidlaw	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25	Wimbledon & Sth West.	6.5
Barclays Bank	5.25	C. Hoare & Co	5.25	Yorkshire Bank	5.25
Brit Bk of Mid East	5.25	Hongkong & Shanghai.	5.25		
●Brown Shipley	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
City Merchants Bank	5.5	Meghraj Bank Ltd	5.25		
Clydesdale Bank	5.25	Midland Bank	5.25		
The Co-operative Bank.	5.25	*Mount Banking	6		
Coutts & Co	5.25	NatWestminster	5.25		
Credit Lyonnais	5.25	●Rea Brothers	5.25		
Cyprus Popular Bank	5.5				

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 15 / Sch)

BELGIUM/LUXEMBOURG (Feb 15 / Frs.)

DENMARK (Feb 15 / Kr)

FINLAND (Feb 15 / Mks)

FRANCE (Feb 15 / Frs.)

GERMANY (Feb 15 / Dm.)

ITALY (Feb 15 / Lire)

NETHERLANDS (Feb 15 / Fls.)

NORWAY (Feb 15 / Kroner)

SPAIN (Feb 15 / Pts.)

SWEDEN (Feb 15 / Kronor)

SWITZERLAND (Feb 15 / Frs.)

PACIFIC

JAPAN (Feb 15 / Yen)

Sanyo	2,440	-20	3,080	2,210	0.4	—
Sanrio	1,530	-70	2,570	912	—	—
SnwaBk	2,200	+20	2,480	1,450	—	—
SnwaSh	918	-12	1,120	785	—	—
SnyoEl	436	-19	489	342	—	—
Spporo	910	-25	1,130	830	—	—
Secom	6,960	-130	7,330	5,380	0.6	—
SegaEn	7,400	-130	11,300	7,010	—	—
SeibuR	4,120	-70	4,850	2,100	—	—
SeinoT	1,720	-80	1,980	1,240	0.6	—
SeiyoF	1,110	-40	1,310	800	—	—
Seiyu	1,410	—	1,510	1,080	—	—
SekChm	1,000	—	1,110	675	—	—
SekHse	1,430	-20	1,500	926	1.3	—
Settsu	407	-15	569	300	1.2	—
SvElev	8,700	+90	9,200	6,054	—	—
Sharp	1,600	-30	1,690	928	—	—
ShikEP	2,680	-40	3,220	2,150	—	—

HONG KONG (Feb 15 / H.K.$)

MALAYSIA (Feb 15 / MYR)

SINGAPORE (Feb 15 / S$)

AUSTRALIA (Feb 15 / Aust$)

NBHPek	3.88	+.05	4.15	2.08	3.5	24.7
PacDun	5.29	-.08	5.92	4.25	4.1	—
Pancon	1.96	+.08	2.15	0.85	—	—
Psmnco	2	-.07	2.43	0.95	—	—
Pionin	3.03	+.05	3.08	2.19	5.0	12.6
PlaPac	2.78	+.07	3.80	1.25	1.2	—
Plutnc	8.80	-.05	9.25	2.06	—	—
PosGld	3.58	—	5.10	1.47	2.8	—
QBE In	6.40	-.02	6.98	3.76	3.4	—
QCT Rs	1.43	-.01	1.61	1.05	7.0	—
RnenGd	5.10	+.10	6.25	2.65	0.5	—
Rothmn	6.80	—	7.70	5.15	5.6	7.7
Santos	4.03	-.04	4.49	2.80	5.5	9.4
SmthHw	6.65	-.04	7.10	5.06	4.1	—
SonGwn	9.45	—	9.74	4.15	5.3	—
Stnc'p	3.89	-.01	3.90	2.84	—	—
Stckld	3.30	-.04	3.70	2.83	7.2	23.6
TNT	2.46	+	2.49	0.69	—	—

AFRICA

SOUTH AFRICA (Feb 15 / Rand)

NORTH AMERICA

CANADA

TORONTO (Feb 15 / Can $)

4 pm close

3900	Agnico	17⅝		$17⅝	17⅝	9557	PanCnP		
815037	AlcnAl x	31⅛	+¼	$31¼	30¾	12910	Pgasus	25¼	-¼
833520	AmBarr	34⅝	-⅛	$35⅝	34¾	183345	PotCan	14¾	
239920	AtcoCl	16	+⅛	$16	15¾	52674	PWEn	7⅛	
246110	BCSugA	11⅛		$11⅛	10¾	498408	PlDome	32½	+½
56774	BC Tel	25⅝	+⅛	$25½	25	49490	PowrCp	22	+⅛
480865	BCE	47⅞	-¼	$48¼	47¾	69000	PowrFn	34¼	+⅛
10370	BCE Mb	40	-¼	$40½	40	36900	RayrkY	18	+⅛
166700	Bckerl	13½		14	13½	1000	RelmS	21	
29050	BGR A	14½	-¼	$14¾	14⅜	1120	Rothmn	95	
35129	Bmawk	8⅛	-⅛	$8⅝	8⅛	104715	RngO9	7⅛	+¼
868565	BkMont	28¾	+½	$29	28¾	3462	ReedSt	28	
491830	BkNovS	30⅝	+⅛	$30⅝	30	100168	Ren En	28¼	-¼
300	BioChP	15½	-⅛	$15½	15½	68400	Repap	5⅜	+⅛
103375	BmbdrB	18⅝	-¼	$18⅝	18⅝	39446	Rigel	18½	-1
152181	BowVal	12¾		$12¾	12¾	4160	RioAlg	21⅝	
3021500	Bmlea	46½	-½	47½	46	443155	RogCmB	21¾	+⅛
146486	BrscnA	17⅝	+¼	$17⅝	17½	1264410	RoyBkC	29½	+⅛

MONTREAL (Feb 15 / Can $)

4 pm close

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, February 15, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fujitsu	10.8m	978	-22	Toshiba	5.3m	726	-23
Shindengen Elec	10.1m	1,170	+90	NEC	5.2m	985	-35
Nippon Steel	8.1m	343	-5	Kawasaki Steel	5.0m	340	-10
Hitachi	6.7m	870	-40	Oki Electric	4.3m	590	-29
Nitsuko	8.2m	1,450	-80	Takuma	3.9m	1,480	+20

INDICES

	Feb 15	Feb 14	Feb 11	1993/94 High		1993/94 Low	
Thailand Bangkok SET (30/4/75)	1413.97	1422.20	1416.34	1763.73	4/1/94	818.84	1/6/93
Turkey Istanbul Comp.(Jan 1986)	16433.4	15089.3	13863.7	20863.80	13/1/94	3855.53	1/1/93
WORLD MS Capital Int (1/1/70)§	625.1*	623.3	621.2	641.00	1/2/94	486.50	13/1/93
CROSS-BORDER Eurotrack 100(26/10/90)	1482.85	1477.57	1487.36	1549.18	31/1/94	1083.02	13/1/93
Euro Top-100 (26/6/90)	1263.23	1257.48	1263.25	1311.01	2/2/94	862.73	13/1/93
JCapsDrgs (31/12/88)	(u)	351.81	363.33	395.15	5/1/94	188.82	4/1/93
Barings Emerg.(7/1/92)	182.06	182.72	182.71	182.72	14/2/94	99.61	4/2/93
Topix (4/1/68)	1555.34	1581.98	(c)	1650.87		1651.72	28/1/93
2nd Section (4/1/68)	2103.46	2133.13	(c)	2384.97	7/8/93		
Malaysia KLSE Comp.(4/4/86)	1087.21	1093.30	(c)	1314.46	5/1/94	614.28	13/1/93

** Sat Feb 12: Taiwan Weighted Price (c) ; Korea Comp Ex 917.15. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 28 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Feb 15 - 2130.71 +28.78.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open Int.
Feb	2257.0	2268.0	+17.0	2276.0	2240.0	25,986	20,076
Mar	2269.5	2279.0	+16.5	2284.5	2255.0	1,617	47,591
Jun	2267.5	2277.5	+17.0	2283.0	2253.5	891	2,517

Open interest figures for previous day.

US INDICES

Dow Jones	Feb 14	Feb 11	Feb 10	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3904.06	3894.78	3895.34	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	104.73	104.79	104.79	108.77 (15/10/93)	103.49 (11/1/93)	108.77 (15/10/93)	54.99 (1/10/81)
Transport	1803.58	1803.14	1815.50	1862.29 (2/2/94)	1453.84 (4/1/93)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	216.39	216.91	215.40	256.46 (31/8/93)	215.40 (10/2/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3935.86 (3920.95) Low 3873.67 (3855.94) (Theoretical♣)
Day's high 3920.67 (3906.57) Low 3890.58 (3867.48) (Actual♣)

Standard and Poors	Feb 14	Feb 11	Feb 10	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	470.23	470.18	468.93	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	549.47	548.96	547.89	580.59 (2/2/94)	495.48 (26/4/93)	580.59 (2/2/94)	3.62 (21/6/82)
Financial	44.39	44.39	44.30	48.40 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	261.26	261.31	261.04	267.71 (2/2/94)	236.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	474.91	477.23	478.13	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	785.45	781.39	783.42	800.47 (31/1/94)	645.87 (26/4/93)	800.47 (31/1/94)	54.87 (31/10/72)

■ RATIOS

	Feb 11	Feb 4	Jan 28	Year ago
Dow Jones Ind. Div. Yield	2.58	2.62	2.57	3.00
	Feb 9	Feb 2	Jan 26	Year ago
S & P Ind. Div. yield	2.35	2.32	2.35	2.46
S & P Ind. P/E ratio	28.07	28.51	27.59	27.44

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	471.30	472.50	+1.20	472.65	471.00	69,598	182,852
Jun	472.70	473.70	+0.85	473.85	472.45	401	6,726
Sep	-	475.25	-	475.45	474.15	6	914

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Paramount	4,710,400	76	-⅞
Columbia	3,548,000	39¾	+1⅞
Merck	3,546,900	33¼	-1⅛
WMX Tech	3,135,800	24⅞	+⅛
Gen Motors	2,809,100	61⅛	+½
Telefonos	2,569,800	73⅞	+⅞
RJR Nabisco	2,377,800	7½	—
Blockbuster	2,206,300	24⅝	-⅞
Sara Lee	2,148,500	22	+¼
Alumax	2,115,300	25⅞	—

■ TRADING ACTIVITY

● Volume (million)

	Feb 14	Feb 11	Feb 10
New York SE	257.752	211.801	325.755
Amex	20.696	12.127	21.551
NASDAQ	282.513	208.189	339.294
NYSE			
Issues Traded	2,757	2,677	2,727
Rises	1,110	818	812
Falls	1,033	1,197	1,306
Unchanged	614	662	609
New Highs	60	36	80
New Lows	35	50	54

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close February 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close February 15

NYSE COMPOSITE PRICES

1993/94 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
34¾	13⅛	Styril	0.36	2.3	24	2586	15⅞	15⅝	15⅝	-⅛
22¾	10⅞	Safeway			22	1847	u22¾	22½	22⅝	+⅛
5¼	2	SafewayW96				1053	5¼	5⅛	5⅛	
55½	37½	StJoePaper	0.20	0.4	285	33	54½	54	54¼	-¼
37⅞	28	StJoeL&P	1.80	6.2	14	25	29⅜	29¼	29¼	
98	75	StPaul	3.00	3.7	8	1501	81¼	80½	81¼	+¾
11¾	6⅛	Salant Crp			10	98	8⅛	7⅞	8⅛	+¼
75¼	39⅞	Sallie Mae	1.40	2.9	9	1519	48½	47¾	48¼	
14⅜	12⅝	Salomon Br x	0.55	4.1		288	13½	13¼	13⅜	
51⅞	34	Salomn	0.64	1.3	6	2527	50¼	49⅝	50	+⅝
27¾	22⅞	SnDgGE	1.48	6.3	12	344	23½	23¼	23⅜	
11⅞	8⅜	SantaFeERs	0.16	1.8	304	1351	8⅞	9	9⅛	
40¾	35¾	SantaFePac	2.80	7.1	18	46	39¾	39½	39½	
26¼	12¾	SanFeP	0.10	0.4	12	7458	24⅛	23⅛	23½	-½
31⅛	21	SaraLee	0.64	2.8	15	10883	22⅞	22⅛	22⅞	+⅞
52¼	40⅛	Scana Corp	2.74	5.9	12	452	46½	46⅛	46⅜	
25¾	18¾	Scecrp	1.42	7.6	13	6747	19¼	d18¾	18¾	-¼
40½	23⅞	SchererRP			29	549	38⅝	38	38⅝	+⅝
71	51¾	SchPl	1.80	3.0	14	3788	60⅜	60¼	60⅜	
68⅞	54⅜	Schlmb	1.20	2.1	23	3786	57¾	57⅜	57⅜	-⅛
38⅞	16½	Schwab(C)	0.28	1.0	13	1666	28⅛	27¼	28⅛	+¾
9⅝	5⅝	Schwitzer			133	76	9½	9⅜	9⅜	-⅛
38⅞	17¾	SciAtl	0.12	0.4	58	4078	29½	28¾	29	+2
15¼	9⅛	Scotman	0.10	0.7	15	2	u15⅜	15⅛	15⅜	+⅛
46¾	31	ScottP	0.80	1.8	11	1912	45⅜	44⅝	44⅞	+⅜
28⅝	14⅛	ScuddrNAsF	0.27	1.1		161	24⅝	24¼	24¼	
12⅛	7½	ScuddrNEuF	0.16	1.4		237	11⅝	11⅜	11½	
[illegible]										

1993/94 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
42	25⅝	TDK Corp A	0.47	1.2	40	22	39½	38½	39½	-¼
3¾	1½	T I S Mtge	0.20	10.7	0	22	2	1⅞	1⅞	-⅛
34¼	24½	TJX	0.51	1.9	17	3094	27¾	27¼	27¼	-⅜
33¾	21⅜	Univel Crp	0.96	4.5	12	807	21⅝	d21⅜	21½	+⅛
32⅝	23½	Unocal	0.80	2.8	22	3031	29¼	28¾	28⅞	
60⅛	47¾	UNUM Corp	0.80	1.6	13	1484	52⅛	50⅝	50¾	-1

...assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

4 pm close February 15

[illegible]

AMEX COMPOSITE PRICES

4 pm close February 15

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
CircPh	0.04	22	682	14½	13⅞	14	+⅛
Cntrl FdA	0.01		174	5⅜	5¼	5⅜	+⅛
Cominco	0.30	13	17	15	14½	15	+⅜
Compudrac		6	84	1¼	1¼	1¼	+1/16
Concd FdA		8	40	9½	9⅛	9½	
CrossAT A	0.64	479	313	14⅝	14¼	14⅝	+⅛
Crown C A	0.40	10	28	17½	17⅛	17¼	-¼
Crown C B	0.40	13	9	15⅝	15¼	15⅜	-⅛
Cubic	0.53	57	61	21¾	20⅞	20⅞	-1
Customedix		14	14	2⅝	2 9/16	2 9/16	-1/16
DI Inds		10	21	13/16	⅞	⅞	
Dimark		30	359	18	17⅝	18	+⅜
Ducommun		8	30	3⅝	3⅜	3⅝	+⅜
Duplex	0.48	59	33	17⅛	11¼	11¼	+⅛
Eastn Co	0.46	18	716	u15½	14⅝	15⅜	+¾
Eastgroup	1.72	185	179	19⅝	19	19¼	-¼
Echo Bay	0.07	54	4835	12¾	12⅜	12⅝	+⅛
Ecol En A	0.28	12	5	15	14⅞	14⅞	-⅛
Edisto Rs		6	261	9	8⅝	8⅞	+½
Elan		18	983	42⅝	42¼	42½	+⅜
Engy Serv		92	820	3 5/16	3⅛	3 5/16	+1/16
EpiRope		11	177	20⅛	19⅝	19⅞	
HanDir		45	889	7	6¾	6⅞	-⅛
Hasbro	0.24	15	2082	35¼	34¾	35	+¼
Health Ch		6	190	4¼	3⅞	4¼	
HealthInvst		3	313	3⅜	3⅛	3¼	
Heico	0.15	53	2	12¼	12¼	12¼	
Hillhaven		12	879	3 13/16	3⅞	3 13/16	
HovnanianA		19	114	14⅝	14½	14½	-⅛
ICH Corp		1	1302	7	6⅞	6⅞	-¼
InstronCp	0.12	27	20	10⅞	10⅞	10⅞	-⅛
Int. Coms		3	352	4⅝	4½	4 9/16	+1/16
Intermagn		80	1120	16⅝	16	16	-⅜
Ivax	0.04	35	1503	35¼	34¾	35⅛	
Jan Bell		25	215	7	6¾	7	+⅛
Ketema		19	22	13⅛	13	13⅛	-⅛
Kinark Cp		22	17	4 11/16	4⅝	4 11/16	+1/16
Kirby Exp		34	617	u23¼	22¾	23	
Laberge		12	10	1⅞	1⅞	1⅞	+⅛
Laser Ind		21	70	8	7⅞	7⅞	-⅛
Lee Pharm		20	18	1⅞	1 13/16	1⅞	+1/16
Lumex Inc		16	116	13⅛	12⅝	13⅛	+⅜
Lynch Cp		7	2	23¾	23¾	23¾	+¼
Olsten	0.24	62	866	32⅛	31⅝	32	+¼
Pegasus G	0.40	107	1551	19⅝	19⅛	19⅜	-¼
Perini	0.80	2	76	12½	11⅝	11⅞	-½
Pet Ht&P	1.88	34	2	u24½	24½	24½	
Phil LD	0.23	20	351	75⅜	75⅛	75⅜	+⅜
Pittway A	0.50	18	400	34¼	33⅞	34	-¼
Ply Gem	0.12	33	764	24⅞	24	24	-¾
PMC	0.65	18	185	16	15¾	15⅞	+⅛
PresidRoA	0.10	1	162	2 1/16	1 15/16	1 15/16	-⅛
RaganBrad		29	16	28½	27¾	27¾	
RB&W Cp		3	194	6¾	6½	6¾	-⅛
RiedelEnv		4	8	2½	2½	2½	-1/16
SJW Corp	2.10	10	4	38½	38½	38½	-¼
StrnUnion		32	283	u36¼	35	35¾	+½
Sterl El	0.04	12	158	11⅛	10¾	10⅞	
Sunst		0	110	7⅞	7¾	7⅞	
TII Ind		28	88	4 1/16	4	4	
Tab Prods	0.20	50	55	9¼	9⅛	9⅛	-⅛
Tel&Data	0.34	69	1554	46½	45¼	46¼	+1⅛
Thermedcs		65	1388	13	12⅞	13	+⅛
Thermotns		34	223	32⅝	32½	32½	
TotPNA	0.20	19	284	13⅝	13⅜	13½	-⅛
[illegible]							

FINANCIAL TIMES Wednesday February 16 1994

AMERICA

Dow climbs as dollar holds, bonds improve

Wall Street

US stocks posted solid gains yesterday morning after stability returned to the currency markets and a firmer trend took hold in bonds, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 16.61 ahead at 3,920.67, while the more broadly based Standard & Poor's 500 was 2.21 better at 472.44. In the secondary markets, the American SE composite slipped 0.31 to 474.61, but the Nasdaq composite climbed 3.30 to 788.87.

Volume on the NYSE was moderate, with 175m shares traded by 1 pm. Advancing issues led declines, 1,163 to 808.

Stocks advanced steadily from the opening bell, after shaking off a scare from the previous afternoon when the dollar fell sharply against the yen. With the US currency holding steady in the foreign exchange markets, equity investors were able to put aside the disconcerting trade friction between the US and Japan and concentrate on some strong, though unsurprising, data on the economy.

The Federal Reserve said that January industrial production had risen 0.5 per cent, against a revised 0.9 per cent gain in December. According to James Capel Economics, the reading, which was favourable in spite of weather-related setbacks, suggested that the economy would grow at a better-than-expected 3 to 4 per cent rate in the first quarter.

The US treasury market, meanwhile, held steady as traders awaited further developments in relations between Washington and Tokyo, and the release of housing and consumer price data later in the week. An afternoon policy announcement by Mr Mickey Kantor, the US trade representative, was keenly awaited.

With calmness prevailing, many blue-chip stocks showed moderate gains, and very few of them spurted ahead. General Electric was up $⅝ at $109, 3M added $1¼ at $107, Goodyear put on $⅝ to $46⅞ and AT&T $⅛ to $54⅞.

The long-running Paramount takeover saga appeared to have reached its conclusion, with the company announcing that more than 50.1 per cent of its shares had been tendered to Viacom. The latter's victory brought a further $2¼ decline in the value of its B stock, which was trading at $27⅝. QVC's share price climbed $1⅛ to $50 after it terminated a rival offer. Paramount was unchanged at $76⅛.

Blockbuster, which has agreed to merge with Viacom as part of the latter's Paramount strategy, shed $⅝ to $24¼, while BellSouth, an ally of QVC, gained $⅝ to $56⅞.

In the forest products sector, Boise Cascade jumped $1 to $27 after announcing plans to reorganise its Canadian operations.

In an unusual development, Rockefeller Center Properties appeared on the NYSE's most active list for the second day running. The stock shed a further $⅞ to $5⅝, after a $1⅝ plunge the previous session, on reports that the owner of the Manhattan landmark was having difficulty in making interest payments.

Canada

Toronto continued to reflect mixed performances at midday, with rises in transportation and conglomerates offsetting a fall in energy stocks.

The TSE-300 composite index was 14 higher at 4,409.23. Declines led advances by 363 to 274 with 337 issues unchanged, and volume was 31.4m shares in turnover of C$424.1m.

SOUTH AFRICA

Johannesburg moved up helped by a firmer gold price, but traders commented that the market remained susceptible to political setbacks. The gold index rose 88 to 1,837, industrials 48 to 5,590 and the overall index 50 to 4,742.

EUROPE

Bourses recover, break a four-day downtrend

Wall Street, a carnival atmosphere in Germany and technical recoveries in Sweden and Switzerland helped bourses break a four-day downtrend yesterday, *writes Our Markets Staff.*

FRANKFURT celebrated carnival with an afternoon upsurge. A tepid session saw the Dax index ease 0.39 to 2,115.62, up 13.69 from the previous afternoon's Ibis-indicated close; but then share prices followed the futures market and ended at 2,130.71, 28.78 or 1.4 per cent higher over 24 hours.

Turnover, affected by the holiday, moved up from DM5.1bn to DM6.7bn. There was talk of interest rate hopes after lunch, although most professionals expected nothing from the Bundesbank earlier this week and in Washington Mr Gunther Rexrodt, the German economics minister, said that he did not expect an interest rate cut in the near future.

The Dax future moved faster still, closing 45.5 higher at 2,146.5. Mr John Blackley of James Capel said that the day's moves almost defied logic, especially given that the bund future, which drove the equity market last week, was down by 25 basis points and there was concern over the prospect of more metalworkers' strikes tomorrow.

Short covering lifted BMW, blue-chip star of the day at DM827, up DM10.50 and rising another DM2 in the aftermarket. Generally, dealers saw the prospect of added volatility later in the week with stock options, and options on the Dax future expiring on Friday.

PARIS speculated on which direction to move before deciding on an upward course and the CAC-40 index closed up a modest 14.81 to 2,257.97, after a session high of 2,264 and a low of 2,229. Turnover, at FFr5.4bn, was slightly stronger than on Monday.

A high proportion of the day's turnover was seen in Elf Aquitaine, the shares adding FFr9 to FFr424 after the government announced the institutional offer price: at FFr403, it was slightly lower than expected, while the tranche size has been scaled down by some 20 per cent. The allocation of shares for private investors was scaled down, the government also announced yesterday.

Canal Plus gained FFr7 to FFr1,039 on news that the chairman and founder of the pay television network, Mr Andre Rousselet, had resigned. This followed last week's news in which Havas, the leisure group, raised its shareholding in Canal Plus, forcing the resignation of Mr Rousselet from its board. Havas slipped FFr1.20 to FFr465.70.

AMSTERDAM managed a modest advance, helped by a positive rise in Elsevier, up Fl 2.70 to Fl 185.50 after a German bank raised its recommendation.

The AEX index put on 1.12 to 429.90. Fokker, down Fl 1.40 at Fl 21.50, continued to attract sellers following its announcement on Monday of job cuts while KLM, the airline, was depressed by news that the government might restrict its participation in the planned Fl 1bn global share offering to some Fl 300m, less than had been expected. The shares drifted down 60 cents to Fl 51.80.

ZURICH saw short covering, and futures-related trading as investors reacted to a 6.4 per cent fall in the blue-chip, SMI index since the beginning of February.

The SMI rose 43.2 to 2,990.3 with Roche and Nestlé in the lead, Roche certificates rising SFr165 to SFr6,990 as the most active stock of the day and Nestlé following with a gain of SFr19 at SFr1,325.

Banks saw respectable gains and insurers did better, with Zurich Insurance up SFr30 at SFr1,490, Winterthur another SFr15 higher at SFr1,490, and Swiss Re SFr15 to the good at SFr695. Gains lower down the size scale were more moderate, with the all-share, SPI index rising 21.62 to 1,902.91.

MILAN reflected a generally lower tone with Monday's strong performers, Gemina, Generali and BCI, continuing to rise against the trend. Suggestions that the first two companies might gain from the forthcoming privatisation of BCI helped their prices, which closed respectively L29 and L766 higher at L1,590 and L41,490. BCI put on L56 at L5,670.

The Mibtel index fell 60 to 10,732.

Elsewhere, Fiat declined L83 to L4,708 on the expected resumption of talks between management and unions over job cuts. Sip, the domestic telephone operator, lost L33.70 to L724, in line with the market, in spite of forecasting better than expected 1993 results.

STOCKHOLM was lifted by index heavyweights, and a 2.8 per cent gain in banks and insurance as the Affärsvärlden general index rose 18.0 to 1,534.2 in high turnover of SKr2.49bn. Astra A put on SKr6 at SKr178, and Volvo SKr12 at SKr669.

WARSAW moved into record territory as some confidence returned to the market following sharp declines last month. The WIG index rose 739.4 or 4.1 per cent to 18,799.3 in turnover of 3,300bn zlotys.

ISTANBUL matched Monday's rate of recovery, the composite index putting on another 8.9 per cent to close at a provisional 16,433.49, up 1,337.46 on the central bank's aggressive defence of the lira against the dollar.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Feb 15 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1476.90	1476.24	1477.56	1477.61	1480.94	1481.90	1481.36	1483.24
FT-SE Eurotrack 200	1535.80	1535.54	1536.93	1537.44	1541.74	1541.73	1539.51	1540.98

	Feb 14	Feb 11	Feb 10	Feb 9	Feb 8
FT-SE Eurotrack 100	1477.57	1487.36	1499.22	1504.69	1512.37
FT-SE Eurotrack 200	1534.08	1543.87	1556.07	1561.00	1574.86

Base value 1000 (26/10/90); Highday: 100 - 1483.26; 200 - 1542.29 Lowday: 100 - 1474.84 200 - 1534.03

ASIA PACIFIC

Nikkei tumbles 2.5% on further strengthening of yen

Tokyo

A further strengthening of the yen pushed the Nikkei 225 average below the 19,000 level for the first time since January 28, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 plunged 484.65, or 2.5 per cent to 18,974.60, while the Topix index of all first section stocks fell 26.64 to 1,555.34, and the Nikkei 300 by 4.71, or 1.6 per cent, to 287.70.

Reports that the US could impose sanctions on Japanese exports, because of Japan's tariffs on mobile telephones, triggered further fears of a higher yen. Comments in New York on Monday by Ms Laura Tyson, chairman of the US council of economic advisers, indicating a tolerant stance towards the dollar's decline, also gave a further incentive for traders to sell the US currency against the yen.

Concerns that the yen's rise would hurt the profitability of the country's exporters, wiping out the effects of the last economic stimulus package, also undermined investor confidence. The 225 index, which opened at the day's high of 19,406.44, fell to a low of 18,768.98 in the morning session on mounting expectations that the yen could rise above the Y100 level against the dollar. The Japanese currency closed at Y102.02 in Tokyo, closing down Y3.67 from Monday.

In London, the ISE/Nikkei 50 index closed up 2.23 at 1,290.54.

Foreigners placed small lot buy orders, but domestic individuals and arbitrageurs continued to liquidate holdings, triggering a further unwinding of arbitrage positions. Volume was 380m shares against Monday's 290m. Declines overwhelmed advances by 1,028 to 84 with 61 issues unchanged.

Export-related shares fell steeply. Sony lost Y180 to Y5,870 and Matsushita Electric Industrial declined Y50 to Y1,650. Multimedia-related shares, which had firmed recently, lost ground on profit-taking. Nippon Telegraph and Telephone shed Y31,000 to Y895,000, falling below Y900,000 for the first time since January 28. Fujitsu lost Y22 to Y978 and NEC retreated Y35 to Y985.

Car manufacturers were also lower, with Toyota Motor falling Y20 to Y1,890 and Honda Motor declining Y90 to Y1,540.

In Osaka, the OSE average slipped 465.16 to 21,025.81 in volume of 55m shares. Nintendo, the video game maker, fell Y150 to Y6,400.

Roundup

Volume remained low in many of the region's markets yesterday, with some foreign buyers noticeably absent.

HONG KONG made good intra-day losses to close above the 11,000 level, having fallen nearly 200 points in the afternoon session. The Hang Seng index closed up 23.52 at 11,012.33 in turnover down to HK$5.7bn from Monday's HK$6.7bn.

Traders described the rise as technically driven since activity remained low with many investors still on holiday.

HSBC Holdings was the most active issue, closing unchanged at HK$117 after earlier dropping to HK$114.

Cheung Kong, the property group, added 50 cents to HK$45.50, HK Telecom put on 10 cents to HK$15 and Jardine Matheson HK$1 to HK$75.50.

SINGAPORE remained subdued and the Straits Times Industrials index lost 12.45 to 2,329.53. Brokers said that the budget announcement, due next week, would have to offer better-than-expected incentives to boost market sentiment.

KUALA LUMPUR was slightly weaker but recovered from session lows on late bargain hunting. The composite index lost 6.09 to 1,087.21.

Public Bank rose 14 cents to M$5.10 on higher 1993 earnings.

TAIWAN remained weak in the financial sector but was supported by strength in plastics and electronics. The weighted index fell 30.25 to 5,985.01 in turnover down to T$50.5bn from T$58.9bn.

Formosa Plastics, up 50 cents at T$53.50, was supported by news that it planned to develop land near Taipei into a high-technology industrial zone.

MANILA was lifted by foreign interest in Philippine National Bank, whose shares leapt 45 pesos or 7 per cent to 675 pesos. The composite index rose 3.81 to 3,012.55 as turnover fell to 1.3bn pesos from Monday's 1.5bn.

AUSTRALIA found support late in the session and the All Ordinaries index ended off 4.6 at 2,234.0, recovering from a 14 point fall in early trade.

ANZ, which gained 16 cents on Monday, retreated 5 cents to A$5.63 in volume of 4.2m shares. Resource stocks remained weak with Western Mining down 8 cents at A$7.42.

KARACHI was driven higher by foreign interest on the first day of the new account. The KSE-100 index put on 44.15 to 2,422.99.

BANGKOK's SET index recovered half its early losses to finish down 8.23 at 1,413.97, but turnover was slim at Bt7.2bn after Monday's Bt7bn. The index had dropped to 1,406.66 in afternoon trading.

Bangkok Bank attracted attention, climbing Bt4 to Bt195, while the newly-listed Eastern Star Real Estate closed at Bt38.00, up from its public offer price of Bt27.

COLOMBO gathered pace for the third straight session in record turnover of SLRs421m. The CSE all-share index gained 33.81 to 1,264.82 with volume also up to a provisional 6.1m shares from Monday's 3.5m.

BOMBAY was slightly lower with retail investors buying selectively in thin trading. The BSE-30 index lost 8.07 to a provisional 3,903.62.

European turnover peaks in January

By William Cochrane

It might have been time for equity investors to pull their horns in, after an extremely profitable 1993. In fact, January saw European bourse turnover go from strength to strength.

The numbers showed vigorous growth for the second month in succession, up 15.3 per cent over December for the eight markets monitored by NatWest Securities, after gains of 12.2 per cent in December and 2.9 per cent in November.

Aggregate turnover hit a record high for the period since NatWest started compiling the figures in the late 1980s. Mr James Cornish, European market strategist with the brokers, notes that the January growth accompanied a 3.8 per cent rise in the FT-Actuaries Europe index in January, as markets prolonged their year-end rally on hopes of a further cut in German interest rates.

International investment activity climbed again after an apparent decline in December: volume in European stocks traded on Seaq International in London rose 16.4 per cent in January after a 2 per cent fall the month before.

There had been a flood of domestic liquidity in December, and the US concentration on Far Eastern and other emerging markets in the fourth quarter of last year. In addition, says Mr Cornish, French investors had a direct tax incentive to invest in their own market before the end of last year, and German investors were on a deadline, too, if they wanted to avoid fiscal punishment for bringing their money back from Luxembourg.

The market which probably believed least in the prospect of a Bundesbank interest rate cut in January was Germany itself, where equities fell by 1.8 per cent and turnover showed the smallest rise of the month, up 3.9 per cent.

Elsewhere, there were sizeable advances, with the Netherlands in the lead, up 37.8 per cent on the month. Mr Cornish says that a number of individual stories gave volume an extra lift: in the Nedlloyd shipping group, on share price considerations; and in Hoogovens, on aluminium price prospects.

The Netherlands, too, reflected directly the return of international investors. There was some large-scale dealing in London, says NatWest, but Seaq international volume fell as a proportion of the domestic market, suggesting considerable activity by US institutions dealing directly in Amsterdam.

The other top countries included Italy, up 30.3 per cent in turnover terms and 49.9 per cent ahead of the average of the previous three months, as the Milan market pushed up by 6.9 per cent and confidence rose in the political situation.

Switzerland registered an 8 per cent gain in share prices and turnover up 26.8 per cent. This may have been a surprise for the strategists. The Swiss stock market has had three excellent years, and even its fans thought the time for some extended profit-taking had arrived at the beginning of 1994.

As it happens, this was delayed until the first full week of February, last week, when the Swiss market led Europe down with a loss of 5.7 per cent, only Italy standing out against the general downtrend in share prices. This, it seems, has finally reflected itself in bourse activity. "Volumes," says Mr Cornish, "have been falling so far in February as the going gets tougher."

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Oct 1993	Nov 1993	Dec 1993	Jan 1994	US $bn
Belgium	77.87	78.39	91.60	107.56	3.00
France	201.93	191.05	218.65	251.96	42.58
Germany	183.24	177.99	211.05	219.29	125.74
Italy	31,410.0	35,092.8	41,385.6	53,924.0	31.76
Netherlands	25.10	27.20	25.40	35.00	17.92
Spain	1,042.89	1,384.6	1,267.5	1,521.82	10.81
Switzerland	28.30	29.60	31.30	39.70	27.07
UK	49.32	52.61	55.79	65.31	98.03

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: NatWest Securities

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY FEBRUARY 14 1994								FRIDAY FEBRUARY 11 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	180.19	-0.9	181.82	118.57	163.36	168.55	-0.1	3.07	181.76	183.78	123.97	165.53	168.74	189.15	126.38	127.31
Austria (17)	184.81	0.2	186.48	121.61	167.54	167.31	-0.4	0.85	184.48	186.53	125.82	168.00	167.93	196.41	139.63	141.45
Belgium (42)	165.09	0.3	166.58	108.63	149.66	146.31	-0.3	3.93	164.59	166.42	112.26	149.89	146.77	169.08	139.32	139.48
Canada (107)	133.95	-1.0	135.17	88.15	121.44	131.29	-0.3	2.57	135.35	136.85	92.31	123.26	131.70	145.31	117.81	119.32
Denmark (32)	265.82	1.0	268.23	174.92	240.99	246.18	0.6	0.92	263.26	266.19	179.56	239.75	244.65	275.79	195.68	203.31
Finland (22)	147.57	0.2	148.91	97.11	133.79	174.09	-0.7	0.59	147.29	148.92	100.46	134.13	175.37	156.72	68.33	89.74
France (99)	175.87	-0.8	177.46	115.73	159.44	163.49	-1.3	2.84	177.32	179.29	120.94	161.49	165.61	185.37	149.60	150.25
Germany (59)	131.67	1.3	132.86	86.64	119.37	119.37	0.9	1.76	129.95	131.40	88.64	118.35	118.35	142.38	107.59	109.73
Hong Kong (56)	446.22	-4.0	450.25	293.63	404.54	443.69	-4.1	2.40	464.98	470.15	317.14	423.48	462.68	508.56	233.84	234.45
Ireland (14)	190.51	0.4	192.23	125.36	172.71	190.87	0.2	2.92	189.83	191.94	129.47	172.88	190.43	209.33	129.29	129.29
Italy (68)	76.30	-1.0	76.99	50.21	69.17	95.93	-1.4	1.71	77.06	77.92	52.56	70.18	97.28	78.93	55.21	59.01
Japan (469)	152.47	2.0	153.85	100.33	138.23	100.33	-1.6	0.81	149.49	151.15	101.96	136.14	101.96	165.91	106.97	106.97
Malaysia (69)	501.19	-1.2	505.73	329.80	454.38	531.49	-1.5	1.38	507.12	512.76	345.89	461.84	539.35	621.63	267.68	270.47
Mexico (18)	2593.99	0.0	2617.44	1706.92	2351.65	8806.20	0.0	0.57	2594.05	2622.85	1769.26	2362.38	8806.39	2647.08	1410.30	1568.57
Netherland (26)	202.65	-0.7	204.49	133.35	183.73	180.82	-1.2	2.93	204.16	206.42	139.24	185.92	182.95	207.43	155.34	155.34
New Zealand (14)	72.84	-1.7	73.50	47.93	66.04	67.59	-1.5	3.44	74.09	74.92	50.54	67.48	68.61	77.59	43.91	44.44
Norway (23)	194.95	0.3	196.72	128.29	176.74	199.41	-0.1	1.46	194.40	196.58	132.59	177.04	199.69	204.44	139.63	143.12
Singapore (45)	350.98	-0.7	354.16	230.96	318.20	255.88	-0.9	1.86	353.49	357.42	241.10	321.93	258.20	378.92	213.57	217.14
South Africa (60)	238.70	-2.3	240.86	157.07	216.40	239.47	-2.1	2.39	244.38	247.10	166.68	222.56	244.61	280.26	160.78	173.87
Spain (42)	148.64	-0.2	149.98	97.81	134.75	159.76	-0.7	3.67	149.01	150.67	101.64	135.71	160.90	155.79	116.33	126.51
Sweden (36)	213.22	0.5	215.15	140.31	193.31	254.53	0.3	1.40	212.08	214.44	144.65	193.14	253.84	230.02	154.59	162.61
Switzerland (49)	162.02	-0.6	163.48	106.61	146.88	147.64	-1.0	1.48	162.98	164.79	111.16	148.42	149.14	176.66	109.14	111.03
United Kingdom (215)	202.49	-0.2	204.32	133.24	183.58	204.32	-0.4	3.51	202.89	205.14	138.38	184.77	205.14	214.96	162.43	162.43
USA (518)	191.17	0.0	192.90	125.80	173.31	191.17	0.0	2.74	191.11	193.23	130.34	174.04	191.11	198.04	176.29	181.65
EUROPE (744)	169.92	-0.1	171.46	111.81	154.05	165.54	-0.5	2.73	170.15	172.04	116.05	154.96	166.35	178.58	135.20	135.20
Nordic (113)	208.04	0.6	209.92	136.90	188.60	216.87	0.2	1.18	206.86	209.16	141.09	188.38	216.49	220.60	145.85	150.20
Pacific Basin (722)	163.79	1.3	165.28	107.78	148.50	112.49	-1.7	1.07	161.75	163.55	110.32	147.30	114.43	168.80	112.00	112.00
Euro-Pacific (1466)	166.19	0.7	167.69	109.36	150.67	133.06	-1.2	1.78	165.09	166.93	112.60	150.35	134.84	170.78	121.37	121.37
North America (625)	187.62	0.0	189.32	123.46	170.09	187.05	0.0	2.73	187.64	189.73	127.98	170.88	187.02	192.73	172.87	177.79
Europe Ex. UK (529)	149.15	-0.1	150.49	98.14	135.21	142.66	-0.5	2.24	149.29	150.95	101.82	135.96	143.43	155.73	118.02	118.02
Pacific Ex. Japan (253)	273.04	-2.3	275.52	179.67	247.54	251.52	-2.2	2.40	279.49	282.60	190.63	254.54	257.12	298.21	161.27	161.27
World Ex. US (1651)	167.72	0.6	169.24	110.37	152.05	136.30	-1.1	1.79	166.79	168.64	113.76	151.89	137.89	172.51	122.77	122.77
World Ex. UK (1954)	171.81	0.4	173.36	113.06	155.76	148.60	-0.8	1.98	171.07	172.97	116.68	155.79	149.73	175.68	138.71	139.67
World Ex. So. Af. (2109)	174.15	0.4	175.73	114.60	157.88	152.74	-0.7	2.13	173.47	175.39	118.31	157.97	153.82	178.56	140.95	141.54
World Ex. Japan (1700)	188.06	-0.3	189.76	123.76	170.49	184.96	-0.4	2.67	188.58	190.67	128.62	171.74	185.84	195.20	159.44	161.33
The World Index (2169)	174.50	0.4	176.08	114.83	158.20	153.45	-0.7	2.13	173.86	175.79	118.58	158.33	154.56	178.97	141.01	141.67

Latest prices were unavailable for this edition.